



(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

2015 Annual Report

Stock code : 6886





Contents

Important Notice	2
Definitions	5
President's Statement	8
Company Profile and Key Financial Indicators	10
Summary of the Company's Business	49
Management Discussion and Analysis and Report of the Board	57
Major Events	139
Changes in Ordinary Shares and Shareholders	180
Preferential Shares	195
Directors, Supervisors, Senior Management and Staff	196
Corporate Governance Report	229
Corporate Bonds	287
Financial Report	296
Index of Documents for Inspection	445
Disclosures	446

Important Notice

The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that the information in this annual report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint liabilities to the information in this report.

This report was considered and approved at the twenty-ninth meeting of the third session of the Board of the Company. All Directors of the Company attended the Board meeting.

None of the directors and supervisors had objections towards this report.

The annual financial report prepared by the Company in accordance with China Accounting Standards for Business Enterprises and the International Financial Reporting Standards was audited by KPMG Huazhen LLP and KPMG respectively, which issued a standard unqualified audit report to the Company.

Zhou Yi, officer in charge and officer in charge of accounting of the Company, and Shu Ben'e, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the annual report is true, accurate and complete.

The profit distribution plan or the reserve capitalization plan for the Reporting Period considered by the Board:

As audited by KPMG Huazhen LLP, the profit for the year of the parent company for 2015 was RMB9,145,222,410.50. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises (《金融企業財務規則》) and the Articles of Association of the Company, the Company had appropriated 10% statutory surplus reserve, 10% general risk reserve and 10% trading risk reserve of RMB2,743,566,723.15 in total, after which, the profit available for distribution for the year was RMB6,401,655,687.35.

Plus the balance of undistributed profit of RMB7,327,694,049.30 in previous years and less the dividend of RMB2,800,000,000.00 distributed according to the profit distribution plan of the Company for 2014, the accumulated profit available for distribution to investors in cash for the year was RMB10,929,349,736.65.

According to the relevant requirements of the Regulatory Guideline No. 3 for Listed Companies — Cash Dividend of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) and the Guidelines of Shanghai Stock Exchange for the Distribution of Cash Dividend by Listed Companies (《上海證券交易所上市公司現金分紅指引》) and based on the actual needs of the Company for business development, the profit distribution plan is proposed as follows:

The Company will make profit distribution by way of cash dividend for 2015, to distribute cash dividend to all the holders of A shares and H shares whose names appear on the register of shareholders on the record date for cash dividend distribution for 2015, the amount of which will be RMB5.00 (tax included) per 10 shares in cash based on the total share capital of 7,162,768,800 shares as of the end of 2015, with an aggregate amount of RMB3,581,384,400.00. The undistributed profit of RMB7,347,965,336.65 will be carried forward to the next year. Cash dividend is denominated and declared in RMB and paid to holders of A shares in RMB and to holders of H shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD issued by the People's Bank of China for the five business days prior to the 2015 annual general meeting of the Company.

Important Notice

This profit distribution plan will be submitted to the annual general meeting of the Company for 2015 for consideration, and it is expected that the annual dividend for 2015 will be distributed to the shareholders of the Company within two months, after such plan is approved at the general meeting but in any event no later than August 31, 2016.

Forward-looking statements including future plans and development strategies involved in this report do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.

There is no non-operating misappropriation of funds of the Company by any controlling shareholders and their related parties during the Reporting Period.

The Company has not provided any guarantees in favor of others in violation of the decision-making procedures during the Reporting Period.

The report of the Company is prepared in both Chinese and English. In the event of any inconsistency, the Chinese version should prevail.

WARNING ON MAJOR RISKS

Almost all of the Company's assets are located in China, and a substantial majority of its revenue is derived from the securities markets in China, so the Company's business is highly dependent on the economic and market conditions in China. On the one hand, like other companies in the securities industry, the Company's business is directly affected by the inherent risks associated with the securities markets, such as the factors like market volatility and fluctuations in the trading volume. On the other hand, the Company's business is also subject to general economic and political conditions, such as the factors like macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. The Company can provide no assurance that the favorable domestic economic and market conditions will be sustained.

In recent years, along with the gradually loosening regulation on the securities industry in China and the continuous diversification of securities businesses and products, the domestic securities industry is facing increasingly intensified competition, and the Company's business may be materially and adversely affected if it fails to compete effectively. Affected by multiple factors like internet securities and "multiple accounts per person", the commission rates of securities brokerage business may continue to go downward, the trading volume in and the activity of the market can hardly remain at a high level continuously, and the spreads of capital-based intermediary business may further narrow down, all of which may adversely affect the growth of the Company's brokerage and wealth management businesses. With the substantial advancement of the reform on the stock issue system, the investment banking business of the Company will be faced with severe challenges in various aspects such as trading execution, customer exploration, pricing and distribution capability, and in the meanwhile, the income of our investment banking business may be adversely affected by the fluctuations of the capital market. Along

Important Notice

with the lowering of the access threshold for the asset management industry and the intensified competition among mixed businesses or unfavorable economic and market conditions, the asset under management of the Company may be reduced or the performance of the Company's assets management may be affected, which may result in a negative impact on the asset management fees or performance rewards charged by the Company. Since the domestic derivatives market is not able to provide adequate methods and trading of stock index futures is temporarily restricted, it is difficult for the Company to effectively defend itself from market risks. In the meanwhile, the Company actively takes measures to maintain the stability of the capital market and sharply expands the scale of directional investment, and the performance of the Company's investment and trading business is closely related to the performance of the domestic securities market. The Company strives to expand its business coverage and provide new products and new services, while business innovation may cause the Company to be exposed to increased risks or additional risks.

The Company is one of the few securities companies that have obtained the regulatory rating of AA from CSRC for six consecutive years. Affected by the factors like the administrative regulatory measures imposed during the Reporting Period, the Company can provide no assurance that the CSRC will not lower the regulatory rating of the Company in future, which may limit the Company's abilities to carry out pilot projects and launch new businesses. Due to the expansion of the Company's traditional and innovative businesses, the Company needs to maintain sufficient liquidity for business operations, and in the event that the cash generated from the operating activities is not sufficient to meet the liquidity or regulatory capital requirements, the liquidity, profit and businesses of the Company may be adversely affected. The Company follows its internal risk management framework and procedures to manage risks, while the risk management policies, procedures and the internal control of the Company may not reduce the risks in a sufficient and effective manner or enable the Company to avoid risks not identified yet or unpredictable. In the meanwhile, under the rapidly developing market conditions, the information and empirical data on which the risk management methods of the Company are based may become inappropriate due to changes in the market and regulatory environment. The Company's operations depend on key management and professional staff, and the success of its business is dependent to a large extent on the continuity of its senior management and its ability to attract and retain key personnel. However, the market is filled with intensified competition for outstanding professionals, and if the Company is unable to attract or retain such key personnel, the Company's business and prospects may be adversely affected. As a pioneer for the application of IT in the securities industry, the Company considerably relies on its IT system to record in time and precisely process transactions and provide on-line products and services, and the information technology failures may cause the Company's business operations to be adversely affected. Any force majeure, natural disaster or outbreak of any epidemic or infectious disease in the future may restrict the Company's business activities in affected regions, which, in turn, may cause the business, financial condition and operating results of the Company to be materially and adversely affected.

For the specific analysis on various types of risks and the specific measures already or to be taken by the Company, please refer to the various risk factors in operating activities and control measures.

Definitions

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS

“A share(s)”	Domestic share(s) with nominal value of RMB1.00 each, which are to be subscribed for or fully paid in Renminbi and listed for trading on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date
“Board” or “Board of Directors”	the Board of Directors of our Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
“Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Group,” “our Group,” “we” or “us”	our Company and its subsidiaries, and their respective predecessors
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Shanghai Stock Exchange” or “SSE”	the Shanghai Stock Exchange (上海證券交易所)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)

Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
“IFRS”	the International Financial Reporting Standards
“IPO”	the initial public offering
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“CASBE”	the China Accounting Standards for Business Enterprises
“PBOC”	the People’s Bank of China (中國人民銀行)
“QFII”	Qualified Foreign Institutional Investor
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“QDII”	Qualified Domestic Institutional Investor
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“Shanghai Clearing House”	The Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)
“NSSF”	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
“Jiangsu SASAC”	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
“Jiangsu Guoxin”	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)

Definitions

“Huatai Securities”, “our Company”, “Company”	a joint stock company incorporated in the People’s Republic of China with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on 7 December 2007, carrying on business in Hong Kong as “HTSC”, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of “華泰六八八六股份有限公司” and English name of “Huatai Securities Co., Ltd.”; the A shares of which are listed on the Shanghai Stock Exchange on 26 February 2010 (Stock Code: 601688)
“Huatai United Securities”	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
“Huatai Futures”	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
“Huatai Zijin Investment”	Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
“Huatai Asset Management”	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company
“Huatai Financial Holdings (Hong Kong)”	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Jiangsu Equity Exchange”	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
“China Southern Asset Management”	China Southern Asset Management Co., Ltd. (南方基金管理有限公司)
“Huatai-PineBridge”	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Reporting Period”	the period from January 1, 2015 to December 31, 2015
“OTC”	over-the-counter

In the 2015 Annual Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

President's Statement

Dear Shareholders,

In 2015, China's capital market went through fire and frost and various challenges arising therefrom. The securities industry reached a historic height for the development and also underwent unprecedented severe challenges. In this extraordinary year, the Company firmly propelled transformation, and managed to effectively respond to the drastic changes in the market and achieve breakthroughs in a number of areas for its development. The operating results of the Company reached a record high, and the competitive strengths of the Company were remarkably enhanced, with a good trend of stable development.

The Company successfully completed the issuance and listing of its H shares. On June 1, 2015, the Company's H shares were successfully listed on the Hong Kong Stock Exchange with a total proceed of RMB30.595 billion, making it the largest IPO project in Asia Pacific in 2015 in terms of the funds raised. Through the issuance and listing of the H shares, the Company's capital strengths have been effectively enhanced, and the Company has embarked upon a new journey of international development.

The Company achieved remarkable results in strategic transformation. In 2015, the Company, by adhering to the development strategy of covering the whole business chain, exerted efforts in building up and upgrading the mobile internet platform, accelerated the transformation to wealth management, steadily developed capital-based intermediary business, deepened the development mode of major investment banking platform, enhanced the differentiated features of asset management business, and diversified and expanded various innovative businesses. As a result, our customer base and customer assets scale were significantly expanded, business structure and customer structure were continuously optimized, business collaboration and connections were constantly strengthened, and operation management efficiency was continuously improved.

The Company continued to maintain leading positions and seek breakthroughs in its primary businesses. The Company has ranked the first amongst its peers for two consecutive years in terms of the trading volume of stocks and funds and the number of customers of brokerage business, and ranked the third amongst its peers for two consecutive years in terms of AUM. The Company made significant progress in the implementation of the internet strategy, with the accumulative download times of the mobile wealth management terminal "ZhangLe Fortune Path" exceeding 10,000,000 and ranked the first amongst its peers in terms of the number of active users for relevant applications. The aggregate scale of capital-based intermediary businesses such as the margin financing and securities lending business and securities-backed lending business has exceeded RMB100 billion. The Company ranked the first both in Mainland China and in Hong Kong in terms of the number of merger and acquisition projects led by the Company, and ranked the first amongst its peers for four consecutive years in terms of the number of mergers and acquisitions of listed companies, with its leading position in merger and acquisition and brand influence becoming increasingly prominent. The Company's position in terms of the volume of equity financing business rose sharply to the first place in the industry. The aggregate scale of the asset management businesses of all the institutions under the Company has reached RMB1.28 trillion, and the features of major fixed income products and business are becoming increasingly outstanding.

President's Statement

2016 is the first year for the "Thirteenth Five-Year" Plan and the 25th anniversary of the Company's establishment. In the coming five years, the multi-layer capital market and direct financing will play an important and key role in the transformation and upgrade of China's economy and the supply-side reform. Although the domestic stock market has experienced significant fluctuations since the beginning of the year due to the combined impact of multiple internal and external factors, we are still fully confident that, short-term fluctuations and policy adjustments in the market will not alter the general direction of the capital market to develop in depth and breadth. Along with the mixed operation of major financial sectors, continuously intensified cross-industry competition and the continuously propelled marketization, differentiation and internationalization of the development of the securities industry, securities companies will be facing new opportunities for transformation and upgrading as well as more severe challenges.

In 2016, the Company will step up to adapt to the profound changes of the capital market and the regulatory environment, firmly implement the development strategy of covering the whole business chain, and deepen and propel the resource integration within the Group. The Company will also put great efforts in promoting the in-depth reform and transformation of every business operating mode, accelerate to build a professional service system centered on customers, and exert itself to cultivate distinctive core competitive strengths, to provide active support for the wealth management for residents, the professionalization of financial institutions and the transformation and upgrade of the real economy, and lay a solid foundation for the Company to achieve the strategic objective of becoming a first-class integrated financial group with local advantages and a global vision.

Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司
The Chinese abbreviation of the Company	华泰证券
English name of the Company	HUATAI SECURITIES CO., LTD.
Abbreviation of English name of the Company	HTSC
Legal representative of the Company	Zhou Yi (tentative)
General manager of the Company	Zhou Yi
Authorized representatives of the Company	Zhou Yi, Jiang Jian

Registered capital and net capital of the Company

Unit and Currency: RMB (Yuan)

	As at the end of the Reporting Period	As at the end of the previous year
Registered capital	7,162,768,800	5,600,000,000
Net capital	52,362,033,891.72	19,727,808,969.73

Qualifications of each of the business lines of the Company:

Business scope of the Company. Licensed business operations: securities brokerage; proprietary trading of securities; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); securities investment consulting; intermediary introduction business for futures companies; margin financing and securities lending business; agency sale of financial products; agency sale of securities investment funds; custodian for securities investment funds; agency services for gold and other precious metals spot contracts and proprietary business for spot gold contracts; stock options market making business; other business activities approved by CSRC.

Scope for general business: None.

Qualifications of the main business of the Company are as follows:

1. On January 10, 2000, as approved by PBOC via the document of "Yin Ban Fa [2000] No. 8", the Company was admitted as a member of the national inter-bank market.
2. On May 8, 2001, as approved by CSRC via the document of "Zheng Jian Xin Xi Zi [2001] No. 5", the Company obtained qualification for online entrusted securities brokerage business.

Company Profile and Key Financial Indicators

3. On February 24, 2003, as approved by CSRC via the document of “Zheng Jian Ji Jin Zi [2003] No. 25”, the Company obtained qualification for distributing open-end equity funds.
4. On March 30, 2003, as approved by CSRC via the document of “Zheng Jian Ji Gou Zi [2003] No. 115”, the Company obtained qualification for entrusted investment management business.
5. On July 9, 2004, our value-added telecommunications business license was approved and issued by Jiangsu Communications Administration. Business license number: Su ICP Zheng 030125.
6. On March 17, 2005, as reviewed and approved by Securities Association of China via the letter of “Zhong Zheng Xie Han [2005] No. 048”, the Company became a pilot securities firm to carry out relevant innovative activities.
7. On August 19, 2005, as approved by PBOC via the document of “Yin Fa [2005] No. 214”, the Company obtained qualification for underwriting short-term financing bills.
8. On November 2, 2006, our qualification for foreign exchange operation in the securities business of No. SC200804 was approved and issued by State Administration of Foreign Exchange (SAFE).
9. On December 6, 2006, our Foreign Exchange Registration Certificate for Overseas Investment (《境外投資外匯登記證》) (No. 32000006015) was approved and issued by Jiangsu Provincial Bureau of SAFE.
10. We were entitled to become the members of Shanghai Stock Exchange, Shenzhen Stock Exchange and Securities Association of China, to engage in the clearing of warrants of China Securities Depository and Clearing Corporation Limited and participate in the clearing of China Securities Depository and Clearing Corporation (CSDC).
11. On June 4, 2007, our qualification certificate for the agency business of stock transfer was approved and issued by Securities Association of China, and the certificate number is Z-014.
12. On August 29, 2007, as recognized by Shanghai Stock Exchange via the document of “Shang Zheng Zhai Zi [2007] No. 61”, the Company became its tier-1 dealer on the integrated e-platform for fixed income securities.
13. On December 28, 2007, as recognized by CSRC via the document of “Zheng Jian Ji Gou Zi [2007] No. 343”, the Company obtained the QDII qualification for overseas securities investment management business.
14. On April 11, 2008, as approved by CSRC via the Reply for Verifying the Qualification of Providing Intermediary Introduction Business for Futures Companies by Huatai Securities Co., Ltd. (《關於核准华泰證券股份有限公司為期貨公司提供中間介紹業務資格的批覆》) (Zheng Jian Xu Ke [2008] No. 481), the Company obtained qualification to provide intermediary introduction business for Great Wall Weiye Futures Co., Ltd.

Company Profile and Key Financial Indicators

15. On June 6, 2008, we obtained qualified investor qualification in block trade system from Shanghai Stock Exchange and the certificate number is A00008.
16. On July 18, 2008, as approved by CSRC via the No Objection Letter to Make Huatai Securities Co., Ltd. the Pilot Company to Engage in Direct investment Business (《關於华泰證券股份有限公司開展直接投資業務試點的無異議函》) (Ji Gou Bu Bu Han [2008] No. 381), the Company could incorporate wholly-owned specialized subsidiaries to engage in direct investment business.
17. On September 16, 2009, we obtained Value-added Telecommunication Service License of the PRC, the license number is Su B2-20040073, and the business type is information service business (excluding fixed telephone voice information service) in the second type of value-added telecommunication service business with validity till July 9, 2014.
18. On June 2, 2010, we obtained a stock index futures trading code and a hedging limit on China Financial Futures Exchange.
19. On June 4, 2010, as approved by CSRC via the Reply for Verifying the Qualification of the Margin Financing and Securities Lending Business of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 766), the Company could participate in the pilot program of margin financing and securities lending.
20. On December 29, 2010, we were qualified as the dealer for credit risk mitigation tools and creator for credit risk mitigation certificates filed with the National Association of Financial Market Institutional Investors.
21. On May 10, 2011, the Company considered and approved the Proposal on Further Integration of the Relevant Business between the Company and Huatai United Securities at the 2010 annual general meeting. According to the Reply for Verifying the Change of Business Scope of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1353) from CSRC dated August 31, 2011, the Company changed its business scope with securities brokerage business (the business in Jiangsu, Shanghai, Zhejiang, Anhui, Shandong, Heilongjiang, Jilin, Liaoning, Beijing, Tianjin, Hebei, Henan, Shaanxi, Shanxi, Ningxia, Inner Mongolia, Gansu, Xinjiang, Qinghai only) within the original business scope to securities brokerage business, and securities underwriting and sponsorship business (the relevant business on Shanghai Stock Exchange only) changed to securities underwriting business (the underwriting of government bonds, debt financing instruments of non-financial enterprises only), reduced its financial advisory business relating to securities trading and securities investment activities, and acquired 77 securities branches including securities branch of Huatai United Securities in Biyun Road, Anlu.
22. On January 6, 2012, as approved by China Insurance Regulatory Commission via the Review Opinion on the Securities Firms to Lease Trading Seats to Insurance Institutional Investors (《關於證券公司向保險機構投資者提供交易單元審核意見書》) (Zi Jin Bu Han [2012] No. 2), the Company could lease trading seats to insurance institutional investors.

Company Profile and Key Financial Indicators

23. On January 18, 2012, as approved by CSRC via the No Objection Letter to the Proposal on Making Huatai Securities Co., Ltd. the Pilot Company to Engage in Bonds Collateralized Quotation Repurchase Business (《關於華泰證券股份有限公司從事債券質押式報價回購業務試點方案的無異議函》) (Ji Gou Bu Bu Han [2012] No. 18), the Company could participate in the pilot program of bonds collateralized quotation repurchase business; On February 20, 2012, as approved by Shanghai Stock Exchange via the Notice on the Matters Concerning Huatai Securities Co., Ltd. to Participate in the Pilot Program of Bonds Collateralized Quotation Repurchase Business (《上海證券交易所關於華泰證券股份有限公司開展債券質押式報價回購業務試點相關事項的通知》) (Shang Zheng Jiao Zi [2012] No. 8), the Company could participate in the pilot program of bonds collateralized quotation repurchase business.
24. On May 25, 2012, as approved by Shanghai Stock Exchange via the Notice on CSI 300 Transactional Open-ended Index Fund Liquidity Service Provider, the Company became the CSI 300ETF liquidity service provider.
25. On June 27, 2012, as approved by CSCR via the Reply for Agreeing on Pilot Program for Cash Management Products of Huatai Securities Co., Ltd. and Approving the Establishment of "Daily Gain" Collective Asset Management Scheme of Huatai Zijin (Zheng Jian Xu Ke [2012] No. 868), the Company could carry out innovative brokerage deposit business.
26. On August 1, 2012, as approved by the Jiangsu Securities Regulatory Bureau of the CSRC via the No Objection Letter to the Participation in Interest Rate Swap Trading of Huatai Securities Co., Ltd., using its Proprietary Funds (Su Zheng Jian Han [2012] No. 345), the Company could participate in interest rate swap using its proprietary funds.
27. On August 29, 2012, as approved by China Securities Finance Co., Ltd. via the Reply for the Application of Participating in the Pilot Program of Margin Refinancing (Zhong Zheng Jin Han [2012] No. 112), the Company could participate in the pilot program of margin refinancing.
28. On September 5, 2012, the Company considered and approved the Proposal on the Application for the Expansion of Agency Sale of Financial Products and Enlarging its Business Scope at the first extraordinary general meeting of the Company in 2012. According to the Reply for Verifying the Qualification of Huatai Securities Co., Ltd. to expand the agency sale of Financial Products (Su Zheng Jian Ji Gou Zi [2013] No. 41) dated January 31, 2013 from the Jiangsu Securities Regulatory Bureau of the CSRC, the Company changed its business scope and expand the agency sale of financial products. The business scope of the Company was changed to: securities brokerage; proprietary trading of securities; securities underwriting (underwriting of government bonds, debt financing instruments of non-financial enterprises only); securities investment consulting; securities assets management; intermediary introduction business for futures companies; margin financing and securities lending business; agency sale of financial products; other business activities approved by CSRC.
29. On September 11, 2012, as approved by CSRC via the No Objection Letter of Making Huatai Securities the Pilot Company to Carry out Stock Repurchase (Ji Gou Bu Bu Han [2012] No. 479), the Company became one of the pilots to carry out stock repurchase.

Company Profile and Key Financial Indicators

30. On November 28, 2012, as approved by the National Association of Financial Market Institutional Investors via the Notice on the Market Assessment Results of Securities Firm Members to Engage in Lead Underwriting Business for Non-financial Enterprises Debt Financing Instruments in the Inter-bank Market ([2012] No. 19), the company could engage in lead underwriting business for non-financial enterprises debt financing instruments in the inter-bank market.
31. On December 24, 2012, as approved by China Financial Futures Exchange, the Company was qualified for conducting arbitrage and speculative trading using CSI 300 index-futures and obtained trading code.
32. On January 12, 2013, as approved by Shenzhen Stock Exchange via the Notice on Authorizing the Conducting of Stock Repurchase Transactions (Shen Zheng Hui [2013] No. 15), the Company was among the first batch of securities firms to be qualified for stock repurchase.
33. On January 30, 2013, as approved by the Jiangsu Securities Regulatory Bureau of the CSRC via the Reply for Verifying the Qualification of Huatai Securities Co., Ltd. to expand the agency sale of Financial Products (Su Zheng Jian Ji Gou Zi [2013] No. 41), the Company could expand the agency sale of financial products.
34. According to the No Objection Letter towards Huatai Securities Co., Ltd. to Conduct Comprehensive Custody Pilot Business for Private Equity Funds dated February 6, 2013 from Ministry of Supervision Under CSRC, the Company was approved to conduct comprehensive custody pilot business for private equity funds, which could provide custody services including assets custody, clearing and settlement, net value calculation, investment monitoring and custody reporting for private equity securities investment funds (RELP).
35. On February 22, 2013, as approved by China Securities Finance Co., Ltd. via the Notice on Launching the Pilot Program of Securities Refinancing (Zhong Zheng Jin Han [2013] No. 45), the Company was among the first batch of securities firms to participate in securities refinancing, and obtained qualification of conducting securities refinancing.
36. On March 5, 2013, our agency management of insurance fund was duly filed with China Insurance Regulatory Commission (filing seal of CIRC for fund uses [2013] No. 38), and we formally became the manager of insurance fund investment since then.
37. On March 21, 2013, according to the Record Letter of the Business of Lead Securities Firms (Gu Zhuan Xi Tong Han [2013] No. 70) from National Equities Exchange and Quotations Company Limited, the company was approved to become the lead securities firm to operate recommendation and brokerage business on the National Equities Exchange and Quotations (NEEQ).
38. On April 3, 2013, the Company received a letter from China Securities Depository and Clearing Corporation Limited, which set out no objection as to the filing materials submitted by Huatai Securities for the engagement in witnessing the opening of customers' securities accounts, and permitted the Company to conduct such business. On April 15, the Company completed the filing with the Jiangsu Securities Regulatory Bureau of the CSRC.

Company Profile and Key Financial Indicators

39. On May 27, 2013, after passing the first round test of securities-backed lending, the Company became the first batch of securities firms to be qualified for pilot securities-backed lending for securities listed on the stock exchange.
40. On June 4, 2013, as approved by the Jiangsu Securities Regulatory Bureau of the CSRC via the Reply for Verifying the Qualification of Huatai Securities Co., Ltd. to expand Financial Bonds (Including Policy-bank Bonds) Underwriting Business (Su Zheng Jian Ji Gou Zi [2013] No. 219), the Company obtained qualification of expanding financial bonds (including policy-bank bonds) underwriting business.
41. On June 21, 2013, as approved by Shanghai Stock Exchange and Shenzhen Stock Exchange via the Notice on the Confirmation of Transaction Permission of Huatai Securities Co., Ltd. to Conduct Securities-backed Lending (Shang Zheng Hui Zi [2013] No. 65) and the Notice on the Transaction Permission of Conducting Securities-backed Lending (Shen Zheng Hui [2013] No. 58) respectively, the Company was among the first batch of securities firms to conduct securities-backed lending for securities listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange.
42. In September 2013, after filing with Jiangsu Securities Regulatory Bureau, the Company fully conducted treasury bonds futures business.
43. On September 3, 2013, as approved by CSRC and China Financial Futures Exchange, the Company obtained qualification of conducting treasury bonds futures arbitrage and hedging businesses.
44. On September 16, 2013, Shenzhen Stock Exchange began to permit the transfer of asset management shares, and the Company's wealth management product, the Huatai Zijin Jijifa (華泰紫金季季發) collective asset management scheme, became the first asset management product of securities brokers listed on Shenzhen Stock Exchange due to its priority share, as a result of which, the Company obtained the qualification to conduct asset management share transfer business.
45. On September 30, 2013, the Company received the Letter on the Confirmation of the Filing of Financial Derivatives Business Plan from Securities Association of China, through which, the company was formally approved to obtain qualification of carrying out equity return swaps business.
46. On October 10, 2013, the company participated in the when-issued trading of 2013 book-entry treasury bonds (the 20th batch) conducted on Shanghai Stock Exchange trading system, through which, it obtained qualification of conducting when-issued trading of treasury bonds.
47. On June 24, 2014, the Company received the Letter on the Opinions on the On-site Inspection of Stock Options from Shanghai Stock Exchange, and Shanghai Stock Exchange confirmed that the Company passed the on-site inspection on stock options.

Company Profile and Key Financial Indicators

48. On July 2, 2014, the Company received the Record Letter of the Business of Lead Securities Firms (Gu Zhuan Xi Tong Han [2014] No. 777) from National Equities Exchange and Quotations Company Limited, by which it was approved to operate market-making business on the NEEQ, namely market-making qualification on the OTC market.
49. On July 16, 2014, the National Inter-Bank Funding Center published the List of Trial Market Maker on the Inter-Bank Bonds Market, and the Company was approved by the National Inter-Bank Funding Center to become the trial market maker on the inter-bank market.
50. On August 7, 2014, the Company received the No-Objection Letter in Relation to the Review Opinion on the Trial Business of Financing-Oriented Option Exercise with Respect to Share Incentive Schemes of Huatai Securities (Shen Zheng Han [2014] No. 194). According to the opinion from experts at the review meeting, Shenzhen Stock Exchange had no objection towards the trial business of financing of exercising share incentive scheme of the Company.
51. On August 27, 2014, the Company received the No Objection Letter in Relation to the Trial Business of Huatai Securities Co., Ltd. to Provide Payment Services for Clients' Funds, and it was approved to be qualified to provide payment services for clients' funds and could provide various payment services for investors such as deposits collection, mobile recharging, online store consumption, sales return, water fee and credit card payments.
52. On September 19, 2014, the Notice on the List of Securities Firms to Conduct Pilot Operations of Internet-based Securities Business was published on the website of Securities Association of China, which specified that the Company obtained qualification for pilot operations of Internet-based securities business.
53. From September 24 to September 25, 2014, the Company issued "Jujin No. 1" structured note on the quotation system after completing all the testing processes for issuing structured note on the private products quotation system of Securities Association of China. At the same time, it completed the application for and obtained the OTC qualification.
54. According to the Notice on the Permission of Southbound Trading to Huatai Securities Co., Ltd. (Shang Zheng Han [2014] No. 603) from Shanghai Stock Exchange dated October 10, 2014, the Company was granted by Shanghai Stock Exchange the permission to conduct Southbound trading under A Shares trading seats. On November 17, 2014, business under Shanghai-Hong Kong Stock Connect was formally conducted.
55. According to the Letter on Agreeing the Operation of Pilot Business on the Over-the-counter Market (Zhong Zheng Xie Han [2014] No. 633) from Securities Association of China dated October 15, 2014, the Company was approved by Securities Association of China to conduct pilot business on the over-the-counter market upon the assessment and acceptance of the its pilot program on the over-the-counter market and the approval of CSRC.

Company Profile and Key Financial Indicators

56. According to the Letter on Agreeing Huatai Securities Co., Ltd. to Participate in the Pilot Financing Program for Restricted Securities under Share Incentive Schemes of Listed Companies (Shen Zheng Han [2014] No. 337) from Shenzhen Stock Exchange dated December 10, 2014, the Company was approved by Shenzhen Stock Exchange to participate in the pilot program of restricted securities lending under share incentive schemes of listed companies.
57. On December 26, 2014, the Company submitted the Application for the Qualification of Practicing Brokerage Business on an Authentic Basis for Stock Option Businesses in Shenzhen to Shenzhen Stock Exchange. The Company received a letter from Shenzhen Stock Exchange on December 31, 2014, and obtained the qualification to participate in the authentic business practice as one of the first batch of companies.
58. According to the Notice on Huatai Securities Co., Ltd. of Becoming a Stock Option Trading Participant on Shanghai Stock Exchange (Shang Zheng Han [2015] No. 73) dated January 16, 2015 from Shanghai Stock Exchange, the Company was approved to become a stock option trading participant on Shanghai Stock Exchange and engage in stock option brokerage and proprietary businesses.
59. On January 29, 2015, as approved by CSRC via the Reply for Verifying the Qualification of the Stock Options Market Making Business of Huatai Securities Co., Ltd. to Conduct (Zheng Jian Xu Ke [2015] No. 162), the Company obtained qualification of expanding the stock options market making business.
60. According to the Notice on Commencement of Shanghai Stock Exchange 50 ETF Option Market-Making Business by Huatai Securities Co., Ltd. of Conducting Market-making Business for Shanghai Stock Exchange 50 ETF Option (Shang Zheng Han [2015] No. 213) dated January 30, 2015 from Shanghai Stock Exchange, the company was approved to be the main market-maker of SSE 50 ETF option contracts since February 9, 2015.
61. On April 3, 2015, the Company entered into an agreement with Shanghai Clearing House for the qualification of standard interest rate swap and forward centralized settlement of standard bonds.
62. On April 16, 2015, upon the approval of Shanghai Clearing House, the Company obtained qualification of participating in the bond trading net liquidation in Shanghai Clearing House.
63. According to the Filing Certificate of Private Equity Outsourcing Institutions (《私募基金業務外包服務機構備案證明》) (Filing Ref No. A00004) dated April 21, 2015 from Asset Management Association of China, the Company became one of the first enterprises on the filing list of private equity outsourcing services to provide outsourced valuation and auditing and unit registration and sales back-office support services for private funds.
64. According to the No Objection Letter to the Innovative Proposal of Huatai Securities on One-way Video Account Opening (《關於華泰證券單向視頻開戶創新方案的無異議函》) (CSDC Ban Zi [2015] No. 460) dated June 1, 2015 from China Securities Depository and Clearing Corporation Limited, CSDC had no objection towards the application of our Company for the innovative one-way video verification of investors' identities under the online account opening proposal and approved the Company to commence pilot operation.

Company Profile and Key Financial Indicators

II. CONTACT

Secretary of the Board

Name Jiang Jian
 Address 11/F, No. 228 Middle Jiangdong Road,
 Nanjing, Jiangsu Province
 Tel. no. 025-83387793, 83387780, 83387688
 Fax 025-83387784
 Email jiangjian@htsc.com

Securities affairs representative

Zhao Yuankuan
 12/F, No. 228 Middle Jiangdong Road,
 Nanjing, Jiangsu Province
 025-83387788
 025-83387784
 zhaoyuankuan@htsc.com

Joint company secretaries

Name Jiang Jian
 Address 11/F, No. 228 Middle Jiangdong Road,
 Nanjing, Jiangsu Province

Kwong Yin Ping Yvonne
 18/F, Tesbury Centre,
 28 Queen's Road East, Wan Chai,
 Hong Kong

III. BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing
Postal codes of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing
Postal codes of office address of the Company	210019
Principal Place of business in Hong Kong	4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company website	http://www.htsc.com.cn
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597

Company Profile and Key Financial Indicators

IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual report	http://www.hkexnews.hk
Location for inspection of annual report of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province

V. SHARES OF THE COMPANY

Shares of the Company				
Type of share	Stock exchange for listing	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	华泰证券	601688	Nil
H Share	Hong Kong Stock Exchange	HTSC	6886	Nil

VI. OTHER INFORMATION OF THE COMPANY

(I) Historical development of the Company, mainly including the reorganization and capital increases

1. The predecessor of the Company was Jiangsu Securities Company (江蘇省證券公司), which was established in December 1990 as approved by the headquarters of PBOC with a registered capital of RMB10 million, obtained the business license on April 9, 1991, and officially opened for business on May 26, 1991.
2. In 1994, the Economic Reform Commission of Jiangsu Province issued two documents, namely "Su Ti Gai Sheng [1993] No. 74" and "[1994] No. 36", to approve the conversion of the Company to be a directional stock raising company with a registered capital of RMB202 million.
3. In June 1997, as considered and approved at the annual general meeting of the Company in 1996 and approved by the headquarters of PBOC and CSRC via two documents of "Yin Fu [1997] No. 501" and "Zheng Jian Ji Zi [1998] No. 43", respectively, the Company implemented the capital increase program to increase its capital to RMB404 million, changed its name to "江蘇證券有限責任公司" (Jiangsu Securities Co., Ltd.), and completed the business registration for such change on April 21, 1998.

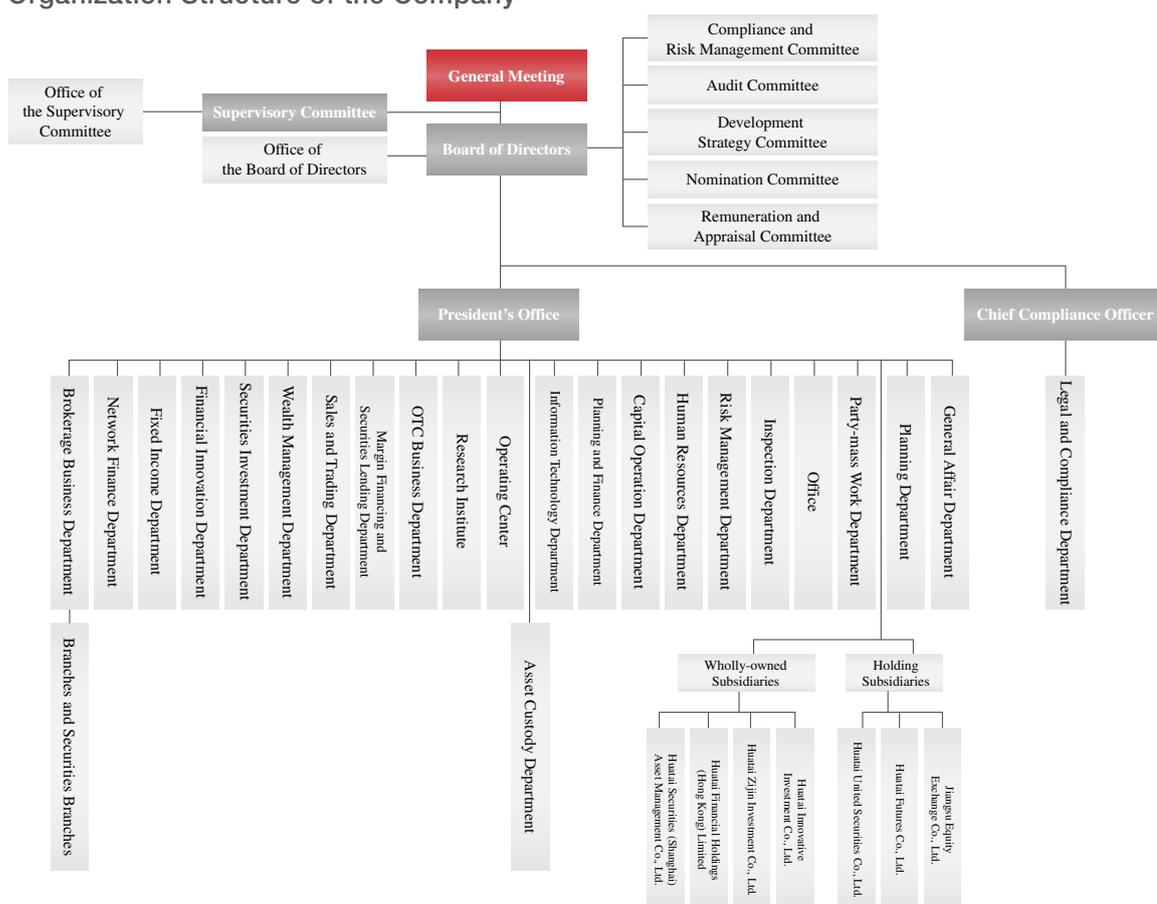
Company Profile and Key Financial Indicators

4. In May 1998, as considered and approved at the annual general meeting of the Company in 1997, the Company implemented the capital increase program to increase its capital to RMB828 million, and completed the business registration for such change on January 18, 1999.
5. In March 1999, as considered and approved at the general meeting of the Company and approved by CSRC via the document of “Zheng Jian Ji Gou Zi [1999] No. 152” in December 1999, the Company changed its registered capital to RMB850.32 million, changed its name to “华泰证券有限责任公司” (Huatai Securities Limited Liability Company), and completed the business registration for such changes on December 21, 1999.
6. In April 2001, as considered and approved at the general meeting of the Company and approved by CSRC via the document of “Zheng Jian Ji Gou Zi [2002] No. 96” in April 2002, the Company increased its registered capital from RMB850.32 million to RMB2,200 million, and completed the business registration for such change on May 24, 2002.
7. In 2007, as considered and approved at the general meeting of the Company and approved by CSRC via the document of “Zheng Jian Ji Gou Zi [2007] No. 311” on November 29, 2007, the Company was converted into “华泰证券股份有限公司” (Huatai Securities Co., Ltd.) in its entirety with its registered capital increased from RMB2,200 million to RMB4,500 million. On December 7, 2007, the Company completed the business registration for such changes.
8. In 2009, as considered and approved at the general meeting of the Company and approved by CSRC via the Reply on Approving Huatai Securities Co., Ltd. to Change Registered Capital, Acquire Xintai Securities Co., Ltd. (信泰证券有限责任公司) via Absorption and Change the Business Scope (Zheng Jian Xu Ke [2009] No. 715) on July 30, 2009, the Company increased its registered capital from RMB4,500 million to RMB4,815,438,725. The Company completed the business registration for such change on July 31, 2009.
9. In February 2010, as approved by CSRC via the document of “Zheng Jian Xu Ke [2010] No. 138”, the Company conducted the initial public offering of 784,561,275 RMB-denominated ordinary shares (A shares), and was successfully listed on Shanghai Stock Exchange in the same month, after which, the registered capital of the Company was RMB5,600 million. The Company completed the business registration for such changes on February 23, 2010.
10. On December 11, 2014, the Resolution on Issuance of H Shares and Listing in Hong Kong by the Company was considered and approved at the fourth extraordinary general meeting of the Company in 2014. The Listing Committee of the Hong Kong Stock Exchange held listing hearing on May 7, 2015 to consider the Company’s application for issuing no more than 1,610,000,000 overseas listed foreign shares and listing on the Main Board of the Hong Kong Stock Exchange. The Company completed the Hong Kong public offering and international placing of 1,400,000,000 H shares on May 22, 2015, and on June 1, the 1,400,000,000 H shares initially public offered by the Company and the 140,000,000 H shares transformed from state-owned

Company Profile and Key Financial Indicators

shares which were held by relevant state-owned shareholders of the Company and transferred to the NSSF by them because of reduction of holding, totaling 1,540,000,000 overseas listed foreign shares (H shares), were listed and traded on the Main Board of the Hong Kong Stock Exchange. On June 19, 2015, certain joint global coordinators (on behalf of the international underwriters) exercised the over-allotment option referred to in the prospectus for the offering of H shares, to require the Company to additionally issue 162,768,800 H shares (hereinafter referred to as the “Over-allotted Shares”), and the Listing Committee of the Hong Kong Stock Exchange subsequently approved the listing and trading of the Over-allotted Shares and the H shares to be held by the NSSF after the conversion (hereinafter referred to as the “Converted H Shares”). Such Over-allotted Shares and Converted H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on June 24, 2015. As a result, the total share capital of the Company was changed from 5,600,000,000 shares to 7,162,768,800 shares. The Company completed the business registration for such changes on July 7, 2015.

(II) Organization Structure of the Company



Company Profile and Key Financial Indicators

(III) Subsidiaries of the Company

As of the end of the reporting period, the Company had 4 wholly-owned subsidiaries and 3 controlling subsidiaries at home and abroad. The basic information is as follows:

Name of subsidiaries	Address	Date of establishment	Registered capital (in 10,000)	Person in charge	Contact number
Huatai Financial Holdings (Hong Kong) Limited	FLAT/RM 5808-12, 58/F, THE CENTER 99 QUEEN'S RD CENTRAL, CENTRAL, HK	November 23, 2006	HKD100,000	Zhou Yi	025-83389999
Huatai Zijin Investment Co., Ltd.	180 Hanzhong Road, Nanjing	August 12, 2008	RMB235,000	Zhou Yi	025-83389999
Huatai Innovative Investment Co., Ltd.	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	November 21, 2013	RMB50,000	Jiang Yu	010-56839318
Huatai Securities (Shanghai) Asset Management Co., Ltd.	21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone	October 16, 2014	RMB100,000	Zhang Haibo	025-83389999
Huatai United Securities Co., Ltd.	(01A, 02, 03, 04), 17A, 18A, 24A, 25A, 26A in the 5/F, Hong Kong CTS Building, Central Square, Central Area, Futian District, Shenzhen	September 05, 1997	RMB99,748	Wu Xiaodong	010-63211388
Huatai Futures Co., Ltd.	5/F, 11/F, 12/F in Dongshan Square East Building, 65 Xianlie Central Road, Yuexiu District, Guangzhou	July 10, 1995	RMB80,900	Zhang Tao	020-87327039
Jiangsu Equity Exchange Co., Ltd.	11/F, 188 Lushan Road, Nanjing	July 4, 2013	RMB20,000	Jiang Jian	025-83389999

Company Profile and Key Financial Indicators

(IV) Establishment of Branch Offices of the Company

As of the end of the reporting period, the Company had 29 branches in China. The basic information is as follows:

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
1	Beijing Branch, Huatai Securities	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	May 28, 2010	500	100032	Jia Bo	010-63211377
2	Heilongjiang Branch, Huatai Securities	3/F, Block B, Aocheng International, No. 239 Xuanhua Street, Nangang District, Haerbin, Heilongjiang Province	May 28, 2010	500	150001	Qu Feng	0451-82718800
3	Liaoning Branch, Huatai Securities	(Building 201) No. 320 Young Street, Heping District, Shenyang, Liaoning Province	June 3, 2011	500	110004	Wang Shibin	024-31881777
4	Nanjing Branch, Huatai Securities	No. 90 Zhongshan Road East, Qinhuai District, Nanjing, Jiangsu Province	April 9, 2010	2,000	210002	Gu Chengzhong	025-84798508
5	Nantong Branch, Huatai Securities	Fangtian Building, No. 6 Yaogang Road, Nantong, Jiangsu Province	May 28, 2010	500	226001	Wang Jie	0513-85529888
6	Shanghai Branch, Huatai Securities	Room 2201, No. 18 Dongfang Road, Pudong New Area, Shanghai	May 28, 2010	500	200120	Meng Qinglin	021-28972258
7	Suzhou Branch, Huatai Securities	4/F and 5/F, No. 102 Xinshi Road, Suzhou, Jiangsu Province	May 28, 2010	500	215001	Bai Rong	0512-67579666
8	Tianjin Branch, Huatai Securities	4-6/F, Office Building, No. 88 Qinjian Avenue, Hongqiao District, Tianjin	May 28, 2010	500	300211	Li Yijun	022-26522228
9	Shenzhen Branch, Huatai Securities	18A, China Travel Service Tower, Central Square, Central Area, Futian District, Shenzhen	March 19, 2012	500	518048	Wang Lianfen	0755-82492098
10	Sichuan Branch, Huatai Securities	No. 2, 16/F, Block 1, Zhongda Junyue Jinsha Office Building, 51 Qingjiang Road West, Qingyang District, Chengdu, Sichuan Province	May 19, 2012	500	610091	Hu Zheng	028-61502398
11	Hubei Branch, Huatai Securities	No. 4 Building, No. 558 Wuluo Road, Wuchang District, Wuhan City, Hubei Province	March 19, 2012	500	430070	Ding Lanhe	027-87314798

Company Profile and Key Financial Indicators

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
12	Guangdong Branch, Huatai Securities	Unit 07-08, 39/F, No. 230 and 232 Tianhe Road, Tianhe District, Guangzhou, Guangdong Province	May 19, 2012	500	510620	Liu Juzhang	020-88830128
13	Zhejiang Branch, Huatai Securities	Room 2304, 2305 and 2306, Block 1, Sunyard International Creative Center Building, No. 1750, Jianghong Rd., Binjiang District, Hangzhou	March 25, 2013	500	310052	Zhai Jun	0571-86698700
14	Wuxi Branch, Huatai Securities	No. 325 Jiefang Road West, Wuxi, Jiangsu Province	June 11, 2014	2,000	214001	Liu Xiaobing	0510-82702153
15	Changzhou Branch, Huatai Securities	No. 9, North Heping Road, Changzhou, Jiangsu Province	April 16, 2014	2,000	213000	Feng Wei	0519-88139733
16	Xuzhou Branch, Huatai Securities	No. 19 Yangshan Road, Xuzhou Economic and Technological Development Zone	April 16, 2014	2,000	221001	Wang Minsheng	0516-85602988
17	Yangzhou Branch, Huatai Securities	No. 406 Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu Province	August 4, 2014	2,000	225001	Cao Xingtai	0514-82196688
18	Henan Branch, Huatai Securities	8/F, Block B, Guanghui Building, No. 15 Jingsan Road, Zhengzhou, Henan Province	April 16, 2014	2,000	450008	Tao Mingqing	0371-65585009
19	Shandong Branch, Huatai Securities	No. 17703, Jingshi Road, Lixia District, Jinan, Shandong Province	April 16, 2014	2,000	250061	Ma Jian	0531-55686555
20	Anhui Branch, Huatai Securities	The East Building, No. 46 Mingguang Road, Yaohai District, Hefei, Anhui Province	August 25, 2014	10,000	230011	Gui Hanzhen	0551-64297088
21	Huai'an Branch, Huatai Securities	9/F, Building 1, No. 18 Huaihai Rd. East, Huai'an, Jiangsu Province	March 24, 2014	2,000	223001	Li Dabin	0517-83907888
22	Yancheng Branch, Huatai Securities	No. 1015 Business street, Dongjin Road, Bao Long City Square, Yancheng, Jiangsu Province	March 24, 2014	2,000	224001	Yu Bing	0515-88216888
23	Zhenjiang Branch, Huatai Securities	No. 11 Changjiang Road, Zhenjiang, Jiangsu Province	March 24, 2014	2,000	212001	Yuan Hongbin	0511-85037099
24	Taizhou Branch, Huatai Securities	No. 22 Yingchun Road West, Hailing District, Taizhou, Jiangsu Province	August 4, 2014	2,000	225300	Tian Zhiwu	0523-86234237
25	Jiangyin Branch, Huatai Securities	No. 8 Futai Road, Jiangyin, Jiangsu Province	August 4, 2014	2,000	214431	Gu Fuping	0510-86817888
26	Hunan Branch, Huatai Securities	No. 346 Laodong Road West, Changsha, Hunan Province	May 27, 2014	500	410015	Deng Jing	0731-85120568

Company Profile and Key Financial Indicators

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
27	Yunnan Branch, Huatai Securities	Zone B, 3/F, Nanping Era Building, No. 155-162 Baoshan Street, Wuhua District, Kunming, Yunnan Province	February 25, 2014	500	650021	Pei Lei	0871-65951973
28	Fujian Branch, Huatai Securities	No. 201, Block B Haiyi Edifice, No. 668, Xiahe Road, Siming District, Xiamen, Fujian Province	September 18, 2014	2,000	361004	Chu Rentang	0592-2997899
29	Jiangxi Branch, Huatai Securities	No. 1416 Jinggangshan Avenue, Nanchang, Jiangxi Province	November 3, 2014	500	330002	Wan Bin	0791-86600577

Company Profile and Key Financial Indicators

(V). the Number and Distribution of Securities Branches of the Company

As of December 31, 2015, the company had 245 securities branches (including 3 securities branches being revoked). The concrete distribution is as follows:

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
1			Securities Branch in Zhenzhu Road South, Lishui	No. 4 Zhenzhu Road South, Yongyang Town, Lishui County	211200	Zhao Jinjiang	025-56232323
2			Securities Branch in Caochangmen Street, Nanjing	18/F, Wenhui Plaza, No. 101 Caochangmen Street, Nanjing	210036	Jiang Jie	025-58010081
3			Securities Branch in Changjiang Road, Nanjing	1/F and 2/F, No. 99 Changjiang Road, Nanjing, Jiangsu Province	210005	Zhou Jie	025-84798883
4			Securities Branch in Baota Road, Gaochun, Nanjing	No. 136 Baota Road, Chunxi Town, Gaochun County, Nanjing	211300	Cheng Gaofeng	025-56816718
5			Securities Branch in Guangzhou Road, Nanjing	11/F, No. 189 Guangzhou Road, Gulou District, Nanjing, Jiangsu Province	210024	Zhang Cuilian	025-58010058
6			Securities Branch in Hanzhongmen Street, Nanjing	No. 81 Hanzhongmen Street, Jianye District, Nanjing, Jiangsu Province	210029	Shen Lin	025-83539788
7			Securities Branch in Hubu Street, Nanjing	No. 15 Hubu Street, Qinhuai District, Nanjing	210002	Wang Yansheng	025-58010001
8			Securities Branch in Jinbo Road, Jiangning, Nanjing	1-2/F, No. 700 Jinbo Road, Dongshan Street, Jiangning District, Nanjing, Jiangsu Province	211100	Zhang Yingli	025-87189599
9	Jiangsu	94 Nanjing	Securities Branch in Jiefang Road, Nanjing	No. 20 Jiefang Road, Qinhuai District, Nanjing, Jiangsu Province	210016	Chu Dongbing	025-84636866
10			Securities Branch in Tonghua Road, Liuhe, Nanjing	Room 18-4, Block 18, No. 9 Tonghua Road, Xiongzhou Street, Liuhe District, Nanjing, Jiangsu Province	211500	Xu Minfeng	025-57127366
11			Securities Branch in Ruijin Road, Nanjing	No. 48 Ruijin Road, Qinhuai District, Nanjing	210007	Zhang Anzhong	025-84620977
12			Securities Branch in Yushi Street, Nanjing	No. 96 Yushi Street, Nanjing	210008	Wei Wei	025-84701234
13			Securities Branch in Zhimaying, Nanjing	No. 26 Zhimaying, Nanjing	210004	Yao Haitang	025-52210618
14			Securities Branch in Zhonghua Road, Nanjing	No. 255 Zhonghua Road, Nanjing, Jiangsu Province	210001	Yu Fei	025-52230208
15			the Second Securities Branch in Zhongshan Road North, Nanjing	No. 223 Zhongshan Road North, Nanjing	210009	Wang Juan	025-83346819
16			Securities Branch in Zhongshan Road North, Nanjing	1/F and 5/F, Zhongshan Junjing Building, No. 333 Zhongshan Road North, Gulou District, Nanjing	210003	Zhang Hongxing	025-83539281

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
17		Nanjing	the Third Securities Branch in Zhongyang Road, Nanjing	Block 6, Tianzheng International Plaza, No. 399, Zhongyang Road, Nanjing, Jiangsu Province	210037	Shang Qiu	025-83581188
18			Securities Branch in Zhongyang Road, Nanjing	1/F and 2/F, No. 264, Zhongyang Road, Nanjing	210037	Xi Wei	025-86334000
19			Securities Branch in Dongheng Street, Changzhou	No. 2 Dongheng Street, Changzhou, Jiangsu Province	213003	Ruan Weiguo	0519-86600788
20			Securities Branch in Heping Road North, Changzhou	No. 9 Heping Road North, Tianning District, Changzhou, Jiangsu Province	213000	Shen Jianwei	0519-88139733
21			Securities Branch in high-tech park, Xinbei District, Changzhou	No. 105, Block E, Building 3, high-tech park, Xinbei District, Changzhou	213000	Yu Bo	0519-86921660
22		Changzhou	Securities Branch in Middle Yanzheng Avenue, Changzhou	No. 16 Middle Yanzheng Avenue, Wujin District, Changzhou	213159	Ruan Jing	0519-81000818
23			Securities Branch in Dongmen Street, Jintan	1/F and 4-5/F, No. 500 Dongmen Street, Jintan, Jiangsu Province	213200	Shi Yuefeng	0519-82696969
24			Securities Branch in South Street, Liyang	No. 91 South Street, Liyang, Changzhou, Jiangsu Province	213300	Yao Haitang	0519-80981755
25			Securities Branch in Beijing Road East, Huaian	No. 17 Beijing Road East, Huaiyin District, Huaian, Jiangsu Province	223300	Chen Zhijun	0517-84908988
26	Jiangsu 94	Huaian	Securities Branch in Hongri Avenue, Lianshui, Huaian	Room 104, the Second Shop on the north side of Fuqian Yujingyuan, Lianshui County, Huaian, Jiangsu Province	223400	Zeng Zhushan	0517-82660908
27			Securities Branch in Hanxin Road South, Huaian District, Huaian	No. 2-4 Hanxin Road South, Huaian District, Huaian, Jiangsu Province	223200	Xu Aijun	0517-85198077
28			Securities Branch in Huaihe Road East, Xuyi, Huaian	No. 45 Huaihe Road East, Xucheng Town, Xuyi County, Huaian, Jiangsu Province	211700	Kang Le	0517-88215061
29		Lianyungang	Securities Branch in Tongguan Road South, Lianyungang	No. 69 Tongguan Road South, Lianyungang, Jiangsu Province	222001	Zhang Tingwen	0517-84908988
30			Securities Branch in Middle Jiefang Road, Haimen	1-2/F, No. 811, Middle Jiefang Road, Haimen Town, Haimen	226100	Mao Weiping	0513-82227766
31		Nantong	Securities Branch in Middle Changjiang Road, Haian, Nantong	8/F, Guidu Mansion, No. 93 Middle Changjiang Road, Haian Town, Haian County, Nantong, Jiangsu Province	226600	Zhai Jiping	0513-88856678
32			Securities Branch in Huancheng Road West, Nantong	No. 18 Huancheng Road West, Nantong, Jiangsu Province	226000	Ji Chunbo	0513-85126758

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
33			Securities Branch in Middle Renmin Road, Nantong	No. 10 Middle Renmin Road, Nantong, Jiangsu Province	226001	Sha Fei	0513-85123188
34			Securities Branch in Renmin Road, Rudong, Nantong	2/F, Buliding 3, Sanyuan Mingju, Renmin Road West, Juegang Town, Rudong County, Nantong, Jiangsu Province	226400	Chen Xiaojun	0513-84883333
35			Securities Branch in Shanghai Road East, Nantong	Room 112, Business Block 1, Xinghu Linli, Nantong	226009	Yao Liang	0513-83593191
36		Nantong	Securities Branch in Renmin Road, Tongzhou, Nantong	Intersection of Renmin Road, Jinsha Town, Tongzhou, Nantong	226300	Li Chendong	0513-81692959
37			Securities Branch in Yaogang Road, Nantong	No. 6 Yaogang Road, Nantong, Jiangsu Province	226006	Gu Wenhuan	0513-85580999
38			Securities Branch in Middle Renmin Road, Qidong	No. 505, Middle Renmin Road, Huilong Town, Qidong City	226200	Xu Ke	0513-83652208
39			Securities Branch in Fushou Road, Rugao	No. 2-1, Building Phase III, Chengjianjiayuan, Rucheng Town, Rugao City, Jiangsu Province	226500	Qian Hang	0513-87335888
40			Securities Branch in Jinshajiang Road, Changshu	No. 18, Jinshajiang Road, Changshu City	215500	Xu Lijun	0512-52895122
41	Jiangsu	94	Securities Branch in Heilongjiangbei Road North, Kunshan	No. 8, Heilongjiang Road, Kunshan City, Suzhou, Jiangsu Province	215300	Liu Xinglin	0512-55219088
42			Securities Branch in Ganjiang Road West, Suzhou	No. 1359, Ganjiang Road West, Suzhou City	215004	Zhang Zhen	0512-68270515
43			Securities Branch in Heshan Road, Suzhou	No. 56, Heshan Road, Suzhou, Jiangsu Province	215000	Fei Ziwen	0512-68785488
44			Securities Branch in Renmin Road, Suzhou	No. 1925, Renmin Road, Suzhou City	215001	Lu Rong	0512-67579766
45		Suzhou	Securities Branch in Xiandai Avenue, Suzhou	Room 307 Lejia Building, No. 8 Jiarui Lane, Suzhou Industrial Park (Xinghun Crossroad, Xiandai Avenue)	215028	Pan Yi	0512-68363826
46			Securities Branch in Xinshi Road, Suzhou	No. 102, Xinshi Road, Suzhou City	215007	Yu Lin	0512-65729996
47			Securities Branch in Taiping Road South, Taicang	No. 36-1 Taiping Road South, Chengxiang Town, Taicang City, Jiangsu Province	215400	Zhang Renrong	0512-53589559
48			Securities Branch in Shichang Road, Shengze Town, Wujiang	Floors 3-4, ICBC Shengze Branch Building, Yaojiaba, Shichang Road, Shengze Town, Wujiang City, Jiangsu Province	215228	Dong Xiaoyan	0512-63910061

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
49			Securities Branch in Middle Changjiang Road, Jingang Town, Zhangjiagang	No. 251, Middle Changjiang Road, Jingang Town, Zhangjiagang City, Jiangsu Province	215633	Wang Zhigang	0512-56767800
50			Securities Branch in Yangshe Road East, Zhangjiagang	No. 2 Yangshe Road East, Zhangjiagang City, Jiangsu Province	215600	Ren Qiaojian	0512-58178299
51		Suzhou	Securities Branch in Wuzhong Avenue, Suzhou	Floor 2, Wuzhong Commercial Center, Building 1, No. 198 Su Street, Yuexi Subdistrict, Wuzhong Economic Development Zone, Suzhou	215104	Lu Zhizhou	0512-66021881
52			Securities Branch in Zhongshan Road South, Wujiang District, Suzhou	Room 703, Shangling Building, No. 1729, Zhongshan Road South, Songling Town, Wujiang District, Suzhou City, Jiangsu Province	215200	Li Tiansong	0512-63956208
53			Securities Branch in Beijing Road North, Shuyang	No. 17 (on the first floor of CCB), Beijing Road North, Shucheng Town, Shuyang County	223600	Chen Qinqin	0527-87880259
54			Securities Branch in Hongze Lake Road, Suqian	No. 110, Hongze Lake Road, Sucheng District, Suqian City, Jiangsu Province	223800	Zhang Zhengxing	0527-84390068
55	Jiangsu 94	Suqian	Securities Branch in Tiyu Road North, Sihong, Suqian	Room 103, Building 23, Fuyuantianjun, Tiyu Road North, Qingyang Town, Sihong County, Jiangsu Province (Sihong County Economic Development Zone, Jiangsu Province)	223900	Zhang Yang	0527-89889601
56			Securities Branch in Middle Beijing Road, Siyang, Suqian	No. 1, Middle Beijing Road, Zhongxing Town, Siyang County, Suqian City, Jiangsu Province	223700	Zhou Zhi	0527-85181112
57			Securities Branch in Jiangyan Road East	No. 23, East Avenue, Jiangyan District, Taizhou City, Jiangsu Province	225500	Song Ruixiao	0523-88209518
58			Securities Branch in Middle Renmin Road, Jingjiang	Floor 9, International Trade Center, No. 68, Middle Renmin Road, Jingjiang City, Jiangsu Province	214500	Tao Jin	0523-89101088
59		Taizhou	Securities Branch in Guoqing Road West, Taixing	D106/D206, Garden Hotel Building 4, Qingyun Garden, Taixing City	225400	Dong Jun	0523-87095597
60			Securities Branch in Jingang Road South, Gaogang, Taizhou	Room 02, Building 6, Dushijiyuan Phase I, Jingang Road South, Gaogang District, Taizhou	225300	Zhang Zhan	0523-86985597

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
61			Securities Branch in Gulou Road North, Taizhou	No. 11-1, Gulou Road North, Hailing District, Taizhou City	225300	Wang Chao	0523-86242500
62		Taizhou	Securities Branch in Middle Changan Road, Xinghua, Taizhou	the 13th and 14th room from south to north, Jinxiu Park Phase I, Xinghua City	225700	Su Bin	0523-83256333
63			Securities Branch in Jiefang Road North, Wuxi	Floor 4, No. 16 Jiefang Road North, Wuxi City, Jiangsu Province	214000	Zhou Hongxia	0510-82768155
64			Securities Branch in Jiefang Road West, Wuxi	No. 327, Jiefang Road West, Wuxi City, Jiangsu Province	214000	Zhang Lei	0510-82705608
65			Securities Branch in Suxi Road, Wuxi	No. 359, Suxi Road, Binhu District, Wuxi City, Jiangsu Province	214123	Zhang Ye	0510-85065672
66			Securities Branch in Yongle Road, Wuxi	No. 12 (Floors 1-2, Shuili Building), Nanhebang, Yongle Road, Nanchang district, Wuxi City, Jiangsu Province	214021	You Lingyan	0510-85045101
67			Securities Branch in Guibin Avenue, Yixing	Room 502, No. 34, Chengxi Road, Yicheng Subdistrict, Yixing City, Jiangsu Province	214299	Zhao Bocai	0510-80793998
68		Wuxi	Securities Branch in Huandong Road, Huashi Town, Jiangyin	No. 680, Huandong Road, Huashi Town, Jiangyin City	214421	Zhong Hua	0510-81662778
69	Jiangsu	94	Securities Branch in West Avenue, Zhouzhuang Town, Jiangyin	No. 174, West Street, Zhouzhuang Town, Jiangyin City	214423	Zheng Jia	0510-81666298
70			Securities Branch in Hongqiao Road North, Changjing Town, Jiangyin	No. 10, Hongqiao Road North, Changjing Town, Jiangyin City	214411	Gu Chun	0510-81662758
71			Securities Branch in Yingxiu Road, Qingyang Town, Jiangyin	No. 111, Yingxiu Road, Qingyang Town, Jiangyin City	214401	Liu Chaohui	0510-81662098
72			Securities Branch in Shenpu Road, Lingang, Jiangyin	No. 108, Shenpu Road, Lingang Subdistrict, Jiangyin City, Jiangsu Province	214443	Xu Dalei	0510-81666278
73			Securities Branch in Huaihai Road West, Xuzhou	Floor 5, Huamei Commercial Building, No. 252, Huaihai Road West, Xuzhou City	221006	Chen Kaisheng	0516-85850911
74			Securities Branch in Tangmu Road, Pei County, Xuzhou	No. 2, Tangmu Road, Pei County, Xuzhou City, Jiangsu Province	221600	Jiao Shuai	0516-81202066
75		Xuzhou	Securities Branch in Qingnian Road, Xuzhou	No. 117, Qingnian Road, Xuzhou City, Jiangsu Province.	221000	Luo Wei	0516-83718448
76			Securities Branch in Zhongshan Road South, Suining, Xuzhou	Floor 3, Suining Telecommunications Office, No. 10, Zhongshan Road South, Suicheng Town, Suining County	221200	Liu Lei	0516-66778896

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
77			Securities Branch in Tongchang Street, Tongshan, Xuzhou	No. 34, Tongchang Street, Tongshan District, Xuzhou City, Jiangsu Province	221116	Zhang Qi	0516-83538896
78			Securities Branch in Zhongshan Road South, Xuzhou	No. 56, Zhongshan Road South, Xuzhou City, Jiangsu Province	221006	Li Gang	0516-85803998
79		Xuzhou	Securities Branch in Yangshan Road, Xuzhou Economic and Technological Development Zone	No. 19, Yangshan Road, Xuzhou Economic and Technological Development Zone	221000	Wang Lei	0516-66881777
80			Securities Branch in Zhongyang Avenue, Feng County, Xuzhou	(Shops 2-10, Mingshi Garden), No. 5101, Zhongyang Avenue, Feng County, Xuzhou City, Jiangsu Province	221700	Wang Dongliang	0516-66650130
81			Securities Branch in Jinfengnan Street, Dafeng	No. 8-1, Jinfengnan Street, Dafeng City, Jiangsu Province	224100	Wang Zhijian	0515-83928806
82			Securities Branch in Wanghai Road West, Dongtai	No. 4, Wanghai Road West, Dongtai City, Jiangsu Province	224200	Zhou Dehong	0515-85105761
83		Yancheng	Securities Branch in Fucheng Avenue, Funing, Yancheng	No. 113 (inside Bank of Jiangsu), Fucheng Street, Funing County, Yancheng City, Jiangsu Province	224400	Fu Yacheng	0515-88212873
84	Jiangsu	94	Securities Branch in Xiangyang Avenue, Binhai, Yancheng	Floor 1, Buiding East, No. NC-14, Xiangyang Avenue, Binhai County, Yancheng City, Jiangsu Province	224500	Xi Jing	0515-87021988
85			Securities Branch in Tonghu Road, Gaoyou	No. 90, Tonghu Road, Gaoyou City, Jiangsu Province	225600	Zhou Ruihua	0514-84666552
86			Securities Branch in Yeting Road East, Baoying, Yangzhou	No. 10, Yeting Road East, Baoying County, Yangzhou City, Jiangsu Province	225800	Zhang Jingbao	0514-88230488
87			Securities Branch in Longcheng Road, Jiangdu, Yangzhou	Room 22, Block 6, Longcheng Court, Yin Jiang Community, Fairy Town, Jiangdu District, Yangzhou, Jiangsu Province	225200	Wang Hongmei	0514-86534998
88		Yangzhou	Securities Branch in Wenchang Road West, Yangzhou	2/F, Park International Building, No. 56, Wenchang Road West, Yangzhou City	225000	Bian Xiaohong	0514-85863888
89			Securities Branch in Middle Wenchang Road, Yangzhou	No. 406 Middle Wenchang Road, Yangzhou City, Jiangsu Province	225001	Xu Yiping	0514-87055888
90			Securities Branch in Baisha Road, Yizheng, Yangzhou	(Commercial properties on the ground floor of Building 37, Pudong 2nd village) Baisha Road, Yihua, Zhenzhou Town, Yizheng City, Jiangsu Province	211400	Wang Kaimin	0514-83962098

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
91			Securities Branch in Middle Yangzi Road, Yangzhong	Room 25-6, No. 127 Middle Yangzi Road, Yangzhong City	212200	Cheng Li	0511-88399933
92			Securities Branch in Guyang Avenue, Dantu, Zhenjiang	No. 260 Guyang Avenue, New Dantu Town, Zhenjiang City	212000	Hou Yeping	0511-85115898
93	Jiangsu	Zhenjiang	Securities Branch in Dongfang Road, Danyang, Zhenjiang	No. 25 Dongfang Road, Development Zone of Danyang City	212300	Yang Jiang	0511-86699772
94			Securities Branch in Huayang Road East, Jurong, Zhenjiang	Huayangmingfu Complex, Extension of Huayang Road East, Huayang Town, Jurong City	212400	Xu Kai	0511-85979998
95			Securities Branch in Macau Road, Shanghai	Room 501-505, 512, 516, No. 158 Macau Road, Putuo District, Shanghai City	200060	Wei Deyong	021-33532200
96			Securities Branch in Gonghe New Road, Shanghai	Zone A, B, C, 15/F, No. 5199 Gonghe New Road, Baoshan District, Shanghai City	200435	Ji Leiping	021-56761987
97			Securities Branch in Guobin Road, Shanghai	Room 1801-1806, No. 36 Guobin Road, Yangpu District, Shanghai City	200433	Liu Qun	021-33621855
98			Securities Branch in Huanghe Road, Shanghai	4/F, No. 333 Huanghe Road, Huangpu District, Shanghai City	200003	Duan Baodong	021-63181398
99			Securities Branch in Raffles Square, Huangpu District, Shanghai	Room 3002, No. 268 Middle Tibet Road, Huangpu District, Shanghai City	200042	Wang Guifang	021-63550001
100			Securities Branch in Weihai Road, Jing'an District, Shanghai	Room 1301, 1802B, No. 511 Weihai Road, Jing'an District, Shanghai City	200041	Fan Li	021-62678287
101	Shanghai	Shanghai	Securities Branch in Mudanjiang Road, Shanghai	5/F, No. 1508 Mudanjiang Road, Baoshan District, Shanghai City	201999	Zhang Jiong	021-56106616
102			Securities Branch in Wangyuan Road South, Fengxian District, Shanghai	Room 102, No. 2, Block 2, Lane 1529 Wangyuan Road South, Nanqiao Town, Fengxian District, Shanghai City	201400	Yang Junjie	021-67136006
103			Securities Branch in Fushan Road, Pudong New District, Shanghai	Room 03B-05A, 26/F (actual floor number: 23/F), No. 388 Fushan Road, Pudong New District, Shanghai City	200120	Che Yun	021-20773068
104			Securities Branch in Tianyaoqiao Road, Shanghai City	Room 303, 305, 307, No. 327 Tianyaoqiao Road, Xuhui District, Shanghai City	200030	Yu Yong	021-54254885
105			Securities Branch in Weining Road, Shanghai	3/F, No. 333 Weining Road, Changning District, Shanghai City	200336	Lu Jian	021-62909758

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
106			Securities Branch in Wuding Road, Shanghai	6, 7/F, No. 1008 Wuding Road, Jing'an District, Shanghai City	200040	Xiong Wei	021-62566063
107			Securities Branch in Tibet Road South, Shanghai	Room 506-509, 5/F, No. 1313 Tibet Road South, Shanghai City	200011	Qi Lili	021-53078283
108	Shanghai 15	Shanghai	Securities Branch in Miaojing Road, Pudong New District, Shanghai	No. 642 Miaojing Road, Pudong New District, Shanghai City	201299	Miao Cong	021-33825017
109			Securities Branch in Rushan Road, Pudong New District, Shanghai	No. 229-1, Rushan Road, Pudong New District, Shanghai City	200120	Xu Fuqiang	021-38476005
110			Securities Branch in Guangqumen Inner Street, Beijing	Room 43-(04) 01, 4/F, No. 43 Guangqumen Inner Street, Dongcheng District, Beijing City	100062	Hao Zhanxin	010-67172636
111			Securities Branch in Agriculture Exhibition Centre Road South, Beijing (revoking)	Room F1-6, F1-7, F2-1, Ruichen International Centre, No. 13 Agriculture Exhibition Centre Road South, Chaoyang District, Beijing City	100026	Wang Jian	010-65008866
112			Securities Branch in Suzhou Street, Beijing	Room 901-903, 9/F Weiya Building, Block 18, No. 29 Suzhou Street, Haidian District, Beijing City	100080	Li Shuai	010-62523799
113	Beijing 7	Beijing	Securities Branch in Xisanhuan Road North, Beijing	3/F, Block A, Yard 72 Xisanhuan Road North, Haidian District, Beijing City	100048	Wei Zhimin	010-68733708
114			Securities Branch in Yonghe Temple, Beijing	5/F, Block 2, Lijun (Yonghe) Building, No. 28 Andingmen Street East, Dongcheng District, Beijing City	100007	Chen Xi	010-84273989
115			Securities Branch in Yuetan Street South, Beijing	3/F Wanfengyihe Business Club, No. 12 Yuetan Street South, Xicheng District, Beijing City	100045	Zhao Youqiang	010-68058688
116			Securities Branch in Zhongguancun Street South, Beijing	3/F Guangdaguoxin Building, No. 11 Zhongguancun Street South, Haidian District, Beijing City	100081	Zhi Zhengli	010-68733967
117			Securities Branch in Baidi Road, Tianjin	No. 240 Baidi Road, Nankai District, Tianjin City	300192	Xu Jianguo	022-87893469
118			Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Room 713-714, Caizhi Building, No. 9 Erwei Road, Dongli Development Zone, Tianjin City	300399	Zhang Haiyan	022-84373801
119	Tianjin 4	Tianjin	Securities Branch in Qinjian Road, Tianjin	No. 185 Qinjian Road, Hongqiao District, Tianjin	300130	Yan Eryan	022-26532286
120			Securities Branch in Zhenli Road, Tianjin	Fuxin Building, No. 29 Zhenli Road, Hedong District, Tianjin City	300151	Liu Yongjun	022-58811908

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
121		Dalian	Securities Branch in Jiefang Road, Dalian	Room. 8, Buiding 11-12, Haosenmingjia, No. 336, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province	116013	Tang Wei	0411-82815866
122		Dalian	Securities Branch in Shengli Road, Dalian	No. 188, Shengli Road, Shahekou District, Dalian City	116021	Zhang Ming	0411-84342688
123		Shenyang	Securities Branch in Daxi Road, Shenyang	No. 187, Daxi Road, Shenhe District, Shenyang City, Liaoning Province	110014	Wang Hui	024-31976665
124	Liaoning 7	Shenyang	Securities Branch in Guangrong Street, Shenyang	Floors 2-5, No. 23, Guangrong Street, Heping District, Shenyang City, Liaoning Province	110003	Zhang Hong	024-31883577
125		Shenyang	Securities Branch in Qingnian Street, Shenyang	No. 320 (Building group 201), Qingnian Street, Heping District, Shenyang City, Liaoning Province	110004	Li Hongyu	024-31883388
126		Yingkou	Securities Branch in Bohai Street, Yingkou	No. 16-A-1, Bohai Street East, Zhanqian District, Yingkou City, Liaoning Province	115000	Liu Jun	0417-3350961
127		Panjin	Securities Branch in Shiyou Street, Panjin	No. 94, Shiyou Street, Xinglongtai District, Panjin City, Liaoning Province	124010	Jia Jing	0427-3257500
128		Baotou	Securities Branch in Donghe District, Baotou	No. 41, Bayantala Street, Donghe District, Baotou City, Inner Mongolia Autonomous Region	14040	Ma Xiaoju	0472-4136027
129		Baotou	Securities Branch in Gangtie Main Street, Baotou	Basement Shop 4, Baobin Wall East, No. 19 Gangtie Main Street, Kun District, Baotou City, Inner Mongolia	14010	Niu Anfang	0472-6867886
130	Inner Mongolia 3	Hohhot	Securities Branch in Xinhua Street East, Saihan District, Hohhot	No. 1707, 17/F, Block A, Wanda Plaza Complex, No. 26, Xinhua Street East, Saihan District, Hohhot City, the Inner Mongolia Autonomous Region	10010	Qi Hong	0471-3251997
131	Ningxia 1	Yinchuan	Securities Branch in Xinhua Street West, Yinchuan	Guokong Building, No. 51, Xinhua Street West, Xingqing District, Yinchuan City, the Ningxia Hui Autonomous Region	750001	Liu Ming	0951-6019666
132		Jinan	Branch in Yangguangxin Road, Jinan	No. 1-5, Lvdiqianjing Tianyuanrenyuan, Yangguangxin Road, Shizhong District, Jinan City, Shandong Province	250002	Zhang Qinlei	0531-87229217
133	Shandong 7	Jinan	Securities Branch in Qianfoshan Road, Jinan	2/F, Building 2, No. 7, Qianfoshan Road, Lixia District, Jinan City	250061	Li Guoping	0531-82318318
134		Jinan	Securities Branch in Wuyingshan Road East, Jinan	No. 38, Wuyingshan Road East, Tianqiao District, Jinan City, Shandong Province	250031	He Zhimin	0531-85829568

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
135		Linyi	Securities Branch in Jinqushan Road, Linyi	Room 1012, Block B, Kaiyuanshangcheng International, No. 10, Jinqushan Road, Lanshan District, Linyi City, Shandong Province	276000	Yi Aimin	0539-8259159
136	Shandong 7	Qingdao	Securities Branch in Ningxia Road, Qingdao	No. 122, Ningxia Road, Qingdao City	266071	Luo Zhiyong	0532-85713938
137		Yantai	Securities Branch in Changshan Road, Laiyang	No. 32, Changshan Road, Laiyang City	265200	Zhang Baigang	0535-7999111
138			Securities Branch in Changjiang Road, Yantai	No. 173, Changjiang Road, Yantai Development Zone, Shandong Province	264006	Yang Shaoyue	0535-3410978
139	Shanxi 1	Taiyuan	Securities Branch in Tiyu Road, Taiyuan	No. 58, Tiyu Road, Xiaodian District, Taiyuan City, Shanxi Province	30001	Zhou Rui	0351-7775553
140		Shaanxi 2	Securities Branch in Wenyi Road North, Xi'an	1/F and 6/F, Shaanxi Province Opera Research Institute Western Culture Plaza, No. 11, Wenyi Road North, Xi'an City, Shaanxi Province	710054	Jia Gang	029-87889991
141			Securities Branch in Zhangba Road East, Xi'an	1/F, Jialifang, No. 151, Zhangba Road East, Yanta District, Xi'an City	710065	Cao Danghe	029-85587020
142		Hangzhou	Securities Branch in Qingchun Road, Hangzhou	No. 52, Qingchun Road, Hangzhou City, Zhejiang Province	310004	Peng Hanqi	0571-28809281
143			Securities Branch in Xueyuan Road, Hangzhou	No. 131-1, Xueyuan Road, Xihu District, Hangzhou City	310012	Yang Desheng	0571-87756088
144		Ningbo	Securities Branch in Liuting Street, Ningbo	3/F, Huaqiaohaosheng Commercial Building, No. 230, Liuting Street, Haishu District, Ningbo City	315010	Wu Die	0574-87023678
145		Shaoxing	Securities Branch in Shangda Road, Shaoxing	No. 128, Shangda Road, Shaoxing City, Zhejiang Province	312000	Fan Hao	0575-85222917
146	Zhejiang 8	Wenzhou	Securities Branch in Yangguang Avenue, Yongjia	No. 8-13, 1/F, Yangguang Building, Xinqiao Village, Jiangbei Subdistrict, Yongjia County, Zhejiang Province	325102	Zhang Yongpo	0577-66992199
147		Zhoushan	Securities Branch in Jiefang Road East, Zhoushan	Room 802 & 803, No. 118, Jiefang Road East, Dinghai District, Zhoushan City, Zhejiang Province	316100	Fang Wei	0580-3066008
148		Taizhou	Securities Branch in Zhongxin Avenue, Taizhou	Northeast Section, Room 104, Donggang Office Building, No. 183, Zhongxin Avenue, Taizhou City	318000	Zeng Senjun	0576-89811389
149		Jiaxing	Securities Branch in Fanggong Road, Jiaxing	No. 1115, Fanggong Road, Nanhu District, Jiaxing City, Zhejiang Province	314000	Dong Kaisong	0573-82862312

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
150		Hefei	Securities Branch in Changjiangdong Street, Hefei	10F/1F, East Building, No. 46, Mingguang Road, Yaohai District, Hefei City, Anhui Province	230011	Zheng Wangxian	0551-64639688
151			Securities Branch in Fuyang Road, Hefei	No. 59, Fuyang Road, Luyang District, Hefei City	230001	Yang Xiangwen	0551-62686969
152	Anhui 5	Ma'anshan	Securities Branch in Huafei Road, Ma'anshan	No. 5-6, Block 10 Zhenzhuyuan II village, Huashan District, Ma'anshan City, Anhui Province	243000	Ding Yueyue	0555-7185517
153		Chuzhou	Securities Branch in Langya Road East, Chuzhou	No. 5, No. 201, Langya Road East, Chuzhou City, Anhui Province	239001	Wang Yanchun	0550-3019976
154		Tongling	Securities Branch in Huaihe Avenue, Tongling	No. 1602 & 1603, 16/F, Huijin Building, Tonglingshangcheng, Huaihe Avenue, Tongling City, Anhui Province	244000	Zhang Jiazhu	0562-2801988
155	Gansu 1	Lanzhou	Securities Branch in Jiuquan Road, Lanzhou	8/F, No. 437-451, Jiuquan Road, Chengguan District, Lanzhou City	730000	Fu Jie	0931-8106511
156	Hebei 1	Shijiazhuang	Securities Branch in Zhonghua Street North, Shijiazhuang	No. 50, Zhonghua Street North, Shijiazhuang City, Hebei Province	50000	Zhang Feng	0311-87038116
157			Securities Branch in Jingsan Road, Zhengzhou	8/F, Block B, Guanghuiguomao Building, No. 15, Jingsan Road, Zhengzhou City	450003	Xia Mengfei	0371-65585069
158	Henan 3	Zhengzhou	Securities Branch in Nongye Road, Zhengzhou	Floors 1-2, Shenghuizhongxin Building, No. 16, Nongye Road, Zhengzhou City, Henan Province	450000	Shi Qianjin	0371-63855159
159			Securities Branch in Yufeng Road, Zhengzhou	Fazhanguoji Building, No. 333, Yufeng Road, Zhengzhou City, Henan Province	450008	Dai Xu	0371-66390997
160			Securities Branch in Xishiliudao Street, Harbin	No. 15, Xishiliudao Street, Daoli District, Harbin City	150010	Liu Peijian	0451-51998718
161		Harbin	Securities Branch in Xuanhua Street, Harbin	Floors 1-2, Block B, Aochengguoji, No. 239, Xuanhua Street, Nangang District, Harbin City, Heilongjiang Province	150001	Fu Bo	0451-51998768
162			Securities Branch in Chang'an Street, Mudanjiang	No. 19, Chang'an Street, Xi'an District, Mudanjiang	157099	Li Ming	0453-8111898
163	Heilongjiang 6	Mudanjiang	Securities Branch in Xinhua Road, Mudanjiang	No. 21, Xinhua Road, Aimin District, Mudanjiang City	157009	Ma Xiuhui	0453-6920026
164		Suihua	Securities Branch in Zhengyang Street, Zhaodong, Suihua	2/F, ICBC Zhaodong Branch Building, Zhengyangnanshidao Street, Zhaodong, Suihua, Heilongjiang Province	151100	Zhang Lei	0455-8182229
165		Daqing	Securities Branch in Yuanwang Street, Daqing	Shop, 1/F, No. 2, District 6, Industrial Development Area, Ranghulu District, Daqing City, Heilongjiang Province	163400	Zheng Ye	0459-8971477

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
166		Changchun	Securities Branch in Minkang Road, Changchun	1-3/F, Building 107, Yikela Residence, No. 855 Minkang Road, Nangan District, Changchun City	130041	Zhu Jianwei	0431-81910599
167	Jilin 3		Securities Branch in Ziyou Avenue, Changchun	No. 1000, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province	130021	Jiao Shifeng	0431-85655848
168	Jilin		Securities Branch in Jiefang Road East, Jilin City	Room 571 & 572, Zhonghuamingzhu Building, Intersection of Jiefang Road East and Dongchang Road, Jilin City	132000	Liu Yan	0432-65128108
169	Xinjiang 1	Yining	Securities Branch in Jiefang Road West, Yining City	8/F, Jinrong Building, No. 243, Jiefang Road West, Yining City	835000	Wu Peisheng	0999-8228707
170			Securities Branch in Jinyang Road, Chengdu	3/F, Jinyan Building, No. 184, Jinyang Road, Wuhou District, Chengdu City, Sichuan Province	610000	He Xiaoping	028-87448096
171			The Second Securities Branch in Nanyihuan Road, Chengdu	5/F, BOC Building, No. 45, Yihuan Road South Section III, Chengdu City, Sichuan Province	610041	Gao Xiongwei	028-85512252
172		Chengdu	Securities Branch in Renmin Road South, Chengdu	Room 702 & 703, 7/F, Xinxiwang Building, No. 45, Renmin Road South Section IV, Wuhou District, Chengdu City	610031	Li Huiying	028-85590880
173	Sichuan 7		Securities Branch in Shujin Road, Chengdu	Room 301, 302, 410, 411 and 412, Block C, Jinshawanrui Center, No. 1, Shujin Road, Qingyang District, Chengdu City	610091	Li Hui	028-61505176
174			Securities Branch in Zhengdongzhong Street, Tianfu New District, Chengdu	Room 240, 242, 244 and 246, Zhengdongzhong Street, Huayang Subdistrict, Tianfu New District, Chengdu City, Sichuan Province	610213	Yang Rui	028-85640443
175			Securities Branch in Tianfu Avenue, Xipu Town, Pi County	2/F, Annex 6 of No. 26, Tianfu Avenue, Xipu Town, Pi County, Chengdu City	610097	Liu Feng	028-87843269
176		Deyang	Securities Branch in Kaifeng Road North, Zhongjiang County, Deyang	No. 22, Block 3, No. 13, Kaifeng Road North, Zhongjiang County	618100	Liu Xiaodong	0838-7201167
177		Chongqing 2	Securities Branch in Chunhui Road, Chongqing	Annex 6 (2-2) of No. 89, Chunhui Road, Chunhui Subdistrict, Dadukou District, Chongqing City	400084	Liu Yong	023-68901837
178		Chongqing	Securities Branch in Shangqingsi Road, Chongqing	Annex 24-7 of No. 2 Shangqingsi Road, Yuzhong District, Chongqing City	401147	Chen Yong	023-67093288

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
179			Securities Branch in Chutian Road, Badong	No. 5 Chutian Road, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	444300	Feng Bo	0718-8456188
180			Securities Branch in Shizhou Avenue, Enshi	No. 63, Shizhou Avenue, Enshi City, Hubei Province	445000	Wang Kai	0718-8237528
181		Enshi	Securities Branch in Yezhou Avenue, Jianshi	No. 47, Yezhou Avenue, Jianshi County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	445300	Chen Yan	0718-3230098
182			Securities Branch in Fengxiang Avenue, Laifeng	No. 50, Fengxiang Avenue, Laifeng County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	445700	Zhang Xingxin	0718-6288118
183			Securities Branch in Park Road, Lichuan	No. 1, Park Road, Lichuan City, Hubei Province	445400	Qin Xiqiong	0718-7283339
184			Securities Branch in Chibi Avenue, Huanggang	No. 25, Chibi Avenue, Huangzhou District, Huanggang City	438000	Yu Yanhua	0713-8613915
185	Hubei 29	Huanggang	Securities Branch in Ronghui Road, Macheng	No. 33, Ronghui Road, Macheng City, Hubei Province	438300	Liu Wei	0713-2772385
186			Securities Branch in Yongning Avenue, Wuxue	No. 55, Yongning Avenue East, Wuxue City, Hubei Province	435400	Li Zhongrun	0713-6758589
187			Securities Branch in Middle Beijing Road, Jingzhou	No. 249, Middle Beijing Road, Shashi District, Jingzhou City, Hubei Province	434000	Zuo Feng	0716-8249551
188		Jingzhou	Securities Branch in Bijiaoshan Road, Shishou	No. 8, Bijiaoshan Road, Shishou City, Hubei Province	434400	Xu Jian	0716-7282593
189		Shennongjia	Securities Branch in Changqing Road, Shennongjia	No. 10, Changqing Road, Shennongjia Forestry District, Hubei Province	442400	Liu Chao	0719-3336276
190		Shiyan	Securities Branch in Chaoyang Road North, Shiyan	No. 8, Chaoyang Road North, Zhangwan District, Shiyan City	442000	Li Zhihua	0719-8240158
191			Securities Branch in Minzu Avenue, Wuhan	Southeast Side of Green Square, Lu Lane, Donghu Development Zone, Wuhan City	430074	Li Dehong	027-87575660
192			Securities Branch in Qingnian Road, Wuhan	6/F, Jiaxin Building, No. 153, Qingnian Road, Jiangnan District, Wuhan City	430032	Ning Yi	027-83632286
193		Wuhan	Securities Branch in Youyi Avenue, Wuhan	No. 999, Youyi Avenue, Wuhan City	430080	Li Wei	027-86880966
194			Securities Branch in Shouyi Road, Wuhan	No. 115, Shouyi Road, Wuchang District, Wuhan City	430064	Yang Xingwu	027-59723377

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
195			Securities Branch in Wuluo Road, Wuhan	No. 288, Wuluo Road, Wuchang District, Wuhan City, Hubei Province	430070	Zhao Changtao	027-87816068
196		Wuhan	Securities Branch in Xinhua Road, Wuhan	No. 296, Xinhua Street, Jiangnan District, Wuhan City, Hubei Province	430015	Liu Hongyan	027-85558889
197		Xiangyang	Securities Branch in Changhong Road North, Xiangyang	No. 19, Changhong Road North, High-tech Zone, Xiangyang City	441000	Hu Dewen	0710-3278298
198			Securities Branch in Biyun Road, Anlu	No. 208, Biyun Road, Anlu City, Hubei Province	432600	Ding Xiang	0712-5231718
199			Securities Branch in Xiyue Avenue, Dawu	Xiyue Avenue, Dawu County, Hubei Province	432800	Chen Junhong	0712-7226466
200			Securities Branch in Xiannv Avenue, Hanchuan	No. 215, Xiannv Avenue, Hanchuan City, Hubei Province	431600	Zhang Feng	0712-8296358
201	Hubei 29	Xiaogan	Securities Branch in Changzheng Road, Xiaogan	No. 29, Changzheng Road, Xiaogan City, Hubei Province	432000	Peng Chao	0712-2326727
202			Securities Branch in West Main Street, Yingcheng	No. 22, Building 1 of Guchengxindu, West Main Street, Yingcheng City, Hubei Province	432400	Meng Zhiyang	0712-3226017
203			Securities Branch in Chaoyang Road, Yunmeng	No. 1, Chaoyang Road, Yunmeng County, Hubei Province	432500	Zhang Yin	0712-4338338
204			Securities Branch in Changban Road, Dangyang	No. 112, Changban Road, Dangyang City, Hubei Province	444100	You Jianghua	0717-3252238
205			Securities Branch in Xiling 1 Road, Yichang	No. 12, Xiling 1 Road, Xiling District, Yichang City	443000	Wang Bo	0717-6229898
206		Yichang	Securities Branch in Qingjiang Avenue, Yidu	No. 23, Qingjiang Avenue, Lucheng District, Yidu City, Hubei Province	443300	Wang Bo	0717-4836899
207			Securities Branch in Madian Road, Zhijiang	No. 5, Madian Road, Zhijiang City, Hubei Province	443200	Deng Min	0717-4200539
208		Changsha	Securities Branch in Shaoshan Road North, Changsha	3/F, Yixinhuayuan Club, No. 285, Shaoshan Road North, Yuhua District, Changsha City, Hunan Province	410007	Shen Liqun	0731-85561098
209	Hunan 3		Securities Branch in Tianyue Avenue, Pingjiang, Yueyang	Beside to the Local Tax Bureau, Tianyue Avenue, Pingjiang County, Yueyang City	414500	Chen Muyuan	0730-8240599
210		Yueyang	Securities Branch in Wulipai, Yueyang	3/F, Jiamei Building, Wulipai Village, Yueyang City	414000	Chen Muyuan	0730-8240599
211			Securities Branch in Supu Road, Nanchang	No. 111, Supu Road, Nanchang City, Jiangxi Province	330006	Ding Xiaohan	0791-86216997
212	Jiangxi 2	Nanchang	Securities Branch in Wenhua Avenue, Xinjian, Nanchang	Room A1, Block 1 of Honggufengshang Community, No. 1290 Wenhua Avenue, Xinjian County, Nanchang City, Jiangxi Province	330100	Ren Xin	0791-83751699

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
213			Securities Branch in Huangpu Avenue West, Guangzhou	Room 1509, No. 638 Huangpu Avenue West, Tianhe District, Guangzhou City	510000	Liu Eryue	020-32277666
214			Securities Branch in Donghuan Road, Panyu District, Guangzhou	Rooms 205, 206, 210, 211, No. 449, 451 Donghuan Road, Shiqiao Street, Panyu District, Guangzhou City, Guangdong Province	510440	Zhu Daoming	020-39213388
215			Securities Branch in Yingbin Avenue, Huadu, Guangzhou	Room 09, 2/F, Block B, Zhengsheng Business Building, No. 66 Yingbin Avenue, Xinhua Street, Huadu District, Guangzhou City, Guangdong Province	510800	Zheng Chengbin	020-86901898
216		Guangzhou	Securities Branch in Huanshi Road East, Guangzhou	Rooms S1201, 1218-23, 12/F, South Tower, No. 371-375 Huanshi Road East, Yuexiu District, Guangzhou City	510070	Cheng Feng	020-83853823
217			Securities Branch in Tianhe Road East, Guangzhou City	5/F, Overseas Chinese Friendship Hotel, No. 65 Tianhe Road East, Guangzhou City	510600	Zhong Bihua	020-87566378
218	Guangdong	23	Securities Branch in Tiyu Road East, Guangzhou	20/F, Pingan Building, No. 160 Tiyu Road East, Guangzhou City, Guangdong Province	510620	Li Yuxuan	18565056768
219			Securities Branch in Yuncheng Road West, Guangzhou	Flat 4002-4004, Baiyun Green Centre, No. 888 Yuncheng Road West, Baiyun District, Guangzhou City, Guangdong Province	510420	Lin Hao	020-86273767
220		Foshan	Securities Branch in Middle Xingui Road, Shunde, Foshan	Room 1901, Block 1 Mingri Square, Xingui Road, Fuyou Community, Daliang Sub-district, Shunde District, Foshan City, Guangdong Province	528300	Song Tao	0757-29808999
221		Shantou	Securities Branch in Zhujiang Road, Shantou	Rooms 09, 11, 13, No. 1001, Block A, Xingyuan Building, the South Side of Zhujiang Road, Longhu District, Shantou City, Guangdong Province	515041	Liang Genghai	0754-89898199
222		Zhongshan	Securities Branch in Xiaolan, Zhongshan	Flat A, 3/F, Xiangming Building, No. 118 Middle Xinhua Road, Xiaolan Town, Zhongshan City, Guangdong Province	528415	Liang Chuanbao	0760-89823338

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
223			Securities Branch in Zhongguan Building, Liuxian Avenue, Shenzhen	Room 705, Zhongguan Building, No. 1355 Liuxian Avenue, Xili Sub-district, Nanshan District, Shenzhen City	518065	Cai Zetian	0755-26626138
224			Securities Branch in Caitian Road, Shenzhen	1/F, 2/F, Block 3, Fuyuan Building, No. 2014-9 Caitian Road, Futian District, Shenzhen City, Guangdong Province	518026	Yang Dongyang	0755-82993655
225			Securities Branch in Haide 3rd Road, Shenzhen	Rooms 1903, 1904, 1905, East Tower of Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	518059	Zhang Yijiang	0755-86271277
226			Securities Branch in Huangge Road North, Longgang, Shenzhen	Room A602, Block 1, Plant 1, Innovation Park, Longgang Tian'an Cyber, Huangge Road North, Longgang District, Shenzhen City, Guangdong Province	518172	Li Xiaoshan	0755-26626388
227			Securities Branch in Qiaoxiang Road, Shenzhen	Tower 1.08-01, Office Building of Shengtuotou Square, the Junction of Nonglin Road and Qiaoxiang Road, Futian District, Shenzhen City	518040	Zhou Wei	0755-82531008
228	Guangdong	23 Shenzhen	Securities Branch in Shennan Avenue, Shenzhen	7/F, West Tower of Times Technology Building, No. 7028 Shennan Avenue, Futian District, Shenzhen City	518040	Xue Wenbing	0755-82719339
229			Securities Branch in Road 1 of High-tech Park South, Shenzhen	Southeast Side of 8/F, Fucheng Technology Building, No. 003, Road 1 of High-tech Park South, Nanshan District, Shenzhen City	518057	Gu Guoxu	0755-25870808
230			Securities Branch in Tairan Road, Shenzhen	Room A203, A205, Futian Tian'an Technological Pioneer Park, Chegongmiao, Futian District, Shenzhen City	518000	Deng Wei	0755-82080300
231			Securities Branch in Zhihui Square, Qiaoxiang Road, Shenzhen	Zone 1101-04, Block A, Zhihui Square, Qiaoxiang Road, Nanshan District, Shenzhen City	518053	Li Xiaoshan	0755-26626388
232			Securities Branch in Rongchao Business Centre, Yitian Road, Shenzhen	3/F, Block A, Rongchao Business Centre, No. 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	518026	Zhang Xiuyan	0755-83767319
233			Securities Branch in Yitian Road, Shenzhen	Flats 02, 03, 04, 17/F, China Travel Service HK Building, No. 4011 Shennan Avenue, Futian District, Shenzhen City	518048	Chen Li	0755-82766183

Company Profile and Key Financial Indicators

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
234			Securities Branch in Zhuzilin 4th Road, Shenzhen	Flat 10I, 10J, 22D, 22E, 22F, China Economy and Trading Building, Zizhu 7th Road, Zhuzilin, Futian District, Shenzhen City	518041	Ma Jianmin	0755-82027636
235	Guangdong 23	Shenzhen	Securities Branch in Zhongxin Road, Shajing, Shenzhen	Room 812, 8/F, Xinghe Building, Zhongxin Road, Shajing Sub-district, Bao'an District, Shenzhen City, Guangdong Province	518125	Chen Hua	0755-27247130
236		Nanning	Securities Branch in Zhongtai Road, Nanning	7/F, South Tower of Beibuwan Building, No. 11 Zhongtai Road, Nanning City, Guangxi Province	530000	Zhang Han	0771-5570608
237	Guangxi 2	Wuzhou	Securities Branch in Xidi 3rd Road, Wuzhou	No. 1 of 1/F, No. 19 Xidi 3rd Road, Wuzhou City	543002	Li Yong	0774-3862288
238	Guizhou 1	Guiyang	Securities Branch in Middle Yan'an Road, Guiyang	Flat C of 19/F, Hongxiang Building, No. 1 Middle Yan'an Road, Yunyan District, Guiyang City	550001	Jin Aihua	0851-4109471
239		Fuzhou	Securities Branch in Middle Liuyi Road, Fuzhou	5/F, Guangmingqiao Complex, No. 382 Middle Liuyi Road, Taijiang District, Fuzhou City, Fujian Province	350009	Ning Wenbin	0591-88037887
240		Quanzhou	Securities Branch in Jiuyi Street, Quanzhou	4/F, Baiyuan Building, Jiuyi Street, Quanzhou City, Fujian Province	362000	Huang Jincai	0595-22187188
241	Fujian 4	Xiamen	Securities Branch in Xiahe Road, Xiamen	2/F, Block B, Haiyi Building, No. 668 Xiahe Road, Siming District, Xiamen City	361004	Lin Meimei	0592-2977339
242		Zhangzhou	Securities Branch in Jiulong Avenue, Zhangzhou	9/F South (No. 906-912), Pudong Building, Jiulong Avenue, Longwen District, Zhangzhou City	363000	Wu Pan	0596-2900350
243		Haikou	Securities Branch in Datong Road, Haikou	Room 1406, 14/F, Fortune Centre Building, No. 38 Datong Road, Haikou City	570102	Wang Yi	0898-66202789
244	Hainan 2	Sanya	Securities Branch in Yuya Road, Sanya	2/F, Huipudeng Seaview Hotel, No. 139 Yuya Road, Sanya City	572021	Chen Jie	0898-88211669
245	Qinghai 1	Xining	Securities Branch in Wusi Road West, Xining	2/F, No. 39 Wusi Road West, Chengxi District, Xining City	810000	Li Shuxue	0971-6368338

Company Profile and Key Financial Indicators

VII. OTHER INFORMATION

Accounting firm engaged by the Company (domestic)	Name	KPMG Huazhen LLP
	Office address	8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
	Name of the signatory accountant	Wang Guobei, Zhang Nan
Accounting firm engaged by the Company (overseas)	Name	KPMG
	Office address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Name of the signatory accountant	Pang Shing Chor

Legal Advisers:

Legal advisers in Hong Kong: Clifford Chance (27/F, Jardine House, One Connaught Place, Central, Hong Kong)

Share registrars:

- Share registrar for A Share: China Securities Depository and Clearing Corporation Limited,
Shanghai Branch
Office address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road,
Pudong New Area, Shanghai, PRC
- Share registrar for H Share: Computershare Hong Kong Investor Services Limited
Office address: 17M Floor, Hopewell Center, 183 Queen's Road East,
Wan Chai, Hong Kong

Company Profile and Key Financial Indicators

VIII. KEY FINANCIAL DATA AND INDICATORS

(I) Key Financial Data and Indicators for the Last Three Years

Unit and Currency: RMB (thousand Yuan)

Items	2015	2014	Year-on-year	
			Change (%)	2013
Total revenue and other income	39,415,525	15,978,485	146.68	9,000,247
Profit for the year attributable to shareholders of the Company	10,696,871	4,486,276	138.44	2,219,735
Profit for the year attributable to shareholders of the Company, net of non-recurring gains or losses	10,714,288	4,439,678	141.33	2,148,271
Net cash used in operating activities	(46,417,732)	(11,173,496)	(315.43)	(15,195,959)
Total other comprehensive income for the year, net of tax	1,435,066	1,474,939	(2.70)	69,437

	As at		Year-on-year Change (%)	As at	
	the end of 2015	the end of 2014		the end of 2013	the end of 2013
Total assets	452,614,615	272,226,036	66.26	116,213,677	
Total liabilities	(371,085,844)	(230,281,628)	61.14	(79,412,700)	
Total equity attributable to shareholders of the Company	80,784,925	41,298,556	95.61	36,174,304	
Total equity of shareholders	81,528,771	41,944,408	94.37	36,800,977	
Total share capital (share)	7,162,768,800	5,600,000,000	27.91	5,600,000,000	

Company Profile and Key Financial Indicators

Key financial indicators	2015	2014	Year-on-year	
			Change (%)	2013
Basic earnings per share (in RMB per share)	1.65	0.80	105.37	0.40
Diluted earnings per share (in RMB per share)	1.65	0.80	105.37	0.40
Basic earnings per share, net of non-recurring gains or losses (in RMB per share)	1.65	0.79	107.86	0.38
Weighted average return on net assets (%)	17.09	11.74	Increased by 5.35 percentage points	6.24
Weighted average return on net assets, net of non-recurring gains or losses (%)	17.11	11.62	Increased by 5.49 percentage points	6.04

Net Capital and Risk Control Indicators of the Parent Company

Unit and Currency: RMB (Yuan)

Items	As at the end of the Reporting Period	As at the end of the previous year
Net capital	52,362,033,891.72	19,727,808,969.73
Net assets	74,445,317,086.43	37,085,784,571.20
Net capital/the sum of various risk provisions (%)	880.74%	463.56%
Net capital/net assets (%)	70.34%	53.20%
Net capital/liabilities (%)	39.67%	19.67%
Net assets/liabilities (%)	56.41%	36.98%
Value of proprietary equity securities and security derivatives/net capital (%)	79.45%	69.18%
Value of proprietary fixed income securities/net capital (%)	72.99%	81.46%

Note: all the risk control indicators for the businesses of the parent Company are in compliance with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies by CSRC.

Company Profile and Key Financial Indicators

During the years 2014 and 2015, the PRC stock market witnessed significant fluctuations featuring a quick slump after a continuous rise, while the securities market achieved fast growth and expansion as a whole. The number of listed companies, the scales of stocks and funds, assets under management, margin financing and securities lending, and the aggregate trading volume of equity funds etc. have grown significantly compared with prior years. As of the end of 2015, the number of listed companies amounted to 2,827, representing an increase of 338 compared with that at the end of 2013; the aggregate market capitalization of the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB53.13 trillion, representing an increase of RMB29.23 trillion compared with that at the end of 2013; the size of funds amounted to RMB8.35 trillion, representing an increase of RMB5.42 trillion compared with that at the end of 2013; the amount of assets managed by securities firms amounted to RMB11.85 trillion, representing an increase of RMB6.65 trillion compared with that at the end of 2013; the balance of margin financing and securities lending amounted to RMB1.17 trillion, representing an increase of RMB0.82 trillion compared with that at the end of 2013; the equity fund trading volume amounted to RMB542 trillion, representing an increase of RMB445 trillion compared with that at the end of 2013. Amid the market fluctuations and expansion in the securities market, the results of operations and all the operational indicators of the securities industry reached a record high.

With an ongoing focus on market-oriented development, the Company captured the development opportunities arising from the fast expansion of the market, and continued to drive innovation and transformation, thereby achieving remarkable improvement in both the quality and level of business development. In 2015, the Company made a historic breakthrough in its internet strategy. The accumulative downloads of “ZhangLe Fortune Path” exceeded 10,000,000. The industry-leading strength of our brokerage and wealth management business was further enhanced. Our total equity fund trading volume reached RMB45.2 trillion, taking up the largest market share in the industry; the size of securities assets of our entrusted customers exceeded RMB2.5 trillion. The size of our capital-based intermediary business exceeded RMB100 billion, holding a leading position in the industry; our asset management business continued to expand, with the assets managed by our asset management institution exceeding RMB1.26 trillion.

In line with the fast growth of the scale of our operations and industry-leading operational indicators, the Company recorded strong overall results, maintaining high growth in operating income, net profit and earnings per share, etc. for two consecutive years, with a number of key indicators reaching a record high. In 2015, the total income and gains of the Company was nearly RMB40 billion, representing multiple increases of 146.68% and 77.53% over the previous two years; our profit for the year amounted to RMB10.798 billion, reaching a record high, making the Company one of the securities firms posting a net profit exceeding RMB10 billion, with the growth rate compared with the previous two years exceeding one fold, being 137.85% and 99.40% respectively; the return on net assets increased significantly, and the earnings per share were more than doubled; the net assets and net capital of the Company increased significantly compared with the prior year, at a growth rate far higher than the industrial average.

Company Profile and Key Financial Indicators

(II) Key Financial Data and Financial Indicators for the Last Four Years⁽¹⁾

Financial position for the last four years as follows:

1. Earnings

Unit and Currency: RMB (Million Yuan)

Items	2015	2014	2013	2012
Total revenue and other income	39,416	15,978	9,000	7,011
Total expenses	25,572	10,349	6,272	5,094
Share of profit of associates	420	285	219	209
Profit before income tax	14,263	5,915	2,948	2,126
Profit for the year attributable to shareholders of the Company	10,697	4,486	2,220	1,618

2. Assets

Unit and Currency: RMB (Million Yuan)

Items	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Share capital	7,163	5,600	5,600	5,600
Total equity of shareholders	81,529	41,944	36,801	35,180
Total equity attributable to shareholders of the Company	80,785	41,299	36,174	34,725
Total liabilities	371,086	230,282	79,413	50,676
Accounts payable to brokerage clients	128,367	70,228	30,843	34,498
Total assets	452,615	272,226	116,214	85,856

3. Key indicators

Items	2015	2014	2013	2012
Dividend per share (in RMB)	0.50 ⁽²⁾	0.50	0.15	0.15
Basic earnings per share (in RMB)	1.65	0.80	0.40	0.29
Diluted earnings per share (in RMB)	1.65	0.80	0.40	0.29
Weighted average return on net assets (%)	17.09	11.74	6.24	4.76
Gearing ratio (%) ⁽³⁾	74.85	79.23	56.89	31.50

Company Profile and Key Financial Indicators

Note:

- (1) The group financial reports in 2011 and before 2011 were prepared according to PRC GAAP instead of IFRS, investors can visit the following website of Shanghai Stock Exchange for related information: <http://www.sse.com.cn/>
- (2) For further details of the distribution of cash dividend per share in 2015, please refer to the section "Major Events" page 139 to page 179 of this report.
- (3) Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)

IX. DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There is no difference between the net profit for 2015 and 2014 and the net assets as of December 31, 2015 and 2014 set out in the combined financial statements prepared in accordance with the PRC GAAP and in the combined financial statements prepared in accordance with the IFRSs.

X. ITEMS MEASURED UNDER FAIR VALUE

Unit and Currency: RMB (Yuan)

Name of items	Balance at the beginning of the period	Balance at the end of the period	Change in the current period	Effect on the profit of the current period in amount
Financial assets at fair value				
through profit or loss	55,999,957,916.75	131,238,108,713.37	75,238,150,796.62	6,311,359,206.96
Financial liabilities at fair value				
through profit or loss	9,244,846.63	21,428,292,467.49	21,419,047,620.86	780,898,651.69
Available-for-sale				
financial assets	9,276,148,087.87	38,118,720,503.37	28,842,572,415.50	1,437,608,379.31
Held-to-maturity				
investments	5,000,000.00	5,000,000.00	—	229,000.00
Derivative financial				
instruments	-709,928,484.26	-2,125,595,372.73	-1,415,666,888.47	-1,772,896,959.91
Total	64,580,422,366.99	188,664,526,311.50	124,084,103,944.51	6,757,198,278.05

Summary of the Company's Business

I. DESCRIPTIONS OF OUR PRINCIPAL BUSINESS LINES, OPERATION MODELS AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

1. Our principal business lines, operation models and the key drivers to our performance during the Reporting Period

We are a leading integrated securities group in China, with a substantial customer base, a leading e-Platform and a highly collaborative full-service business franchise. We provide comprehensive securities and financial services through our branches and e-Platform to individual, institutional and corporate clients to meet their financial needs. Our principal business lines comprise brokerage and wealth management, investment banking, asset management, investment and trading businesses, overseas and other business. We continue to implement our full-service business strategy which is led by investment banking, underpinned by brokerage and wealth management and supported by asset management, as well as investment and trading that differentiates us from our competitors. We plan to leverage our competitive advantages in the securities business to expand our full-service operations, and aim to become a leading integrated financial group with strong local advantages and a global vision.

(1) Brokerage and wealth management business

Brokerage and wealth management businesses mainly consist of securities and futures brokerage, sales of financial products, institutional sales and research, and capital-based intermediary businesses. For securities and futures brokerage, we mainly execute trades on behalf of our clients in stocks, funds, bonds and futures. For sales of financial products, we primarily sell various financial products managed by us and other financial institutions to our clients. For institutional sales and research, we market and sell securities products and services to institutional clients and provide professional research services to facilitate their investment decisions. In respect of capital-based intermediary business, we provide margin financing and securities lending, securities-backed lending and stock repurchases to our clients.

During the Reporting Period, the segment revenue and other income from our brokerage and wealth management business amounted to RMB28,666,367 thousand, representing a year-on-year increase of 177.70%, the segment expenses were RMB16,490,926 thousand, representing a year-on-year increase of 185.49% and the gross margin was 42.47%, representing a year-on-year decrease of 1.57 percentage points.

Summary of the Company's Business

(2) Investment banking business

Investment banking primarily consists of equity underwriting, debt underwriting, financial advisory and OTC business. For equity underwriting business, we provide follow-on offerings (including private placement and rights issues), convertible bond offerings and IPOs for PRC corporate clients. For debt underwriting business, we have a full-license debt underwriting business which underwrites enterprise bonds, corporate bonds, SME private bonds, debt financing instruments of non-financial institutions, other various financial bonds and asset-backed securitization. For financial advisory business, we center on advising M&A with industry distribution and strategy perspectives for corporate clients in China. For OTC business, we obtained approval to provide recommendation services as chief agency broker to help unlisted companies to enter into the NEEQ for share quotation and transfer and actively arrange follow-on financing for listed companies; and Jiangsu Equity Exchange which the company funded can also provide us cross-selling opportunities for our other business lines and helps us explore and identify more investment opportunities for our private equity funds.

During the Reporting Period, the segment revenue and other income from our investment banking business amounted to RMB1,907,598 thousand, representing a year-on-year increase of 33.27%, the segment expenses were RMB1,261,818 thousand, representing a year-on-year increase of 28.60% and the gross margin was 33.94%, representing a year-on-year increase of 2.45 percentage points.

(3) Asset management business

We develop asset management products and services based on our clients' assets size and needs. Our asset management business mainly consists of securities-firm asset management, private equity fund management and asset management for fund companies. For securities-firm asset management business, which includes collective asset management business, targeted asset management business and specialized asset management business, we participate in securities-firm asset management via Huatai AM Co., our wholly-owned subsidiary. Collective asset management business refers that the company sets up asset management schemes, enters into asset management contracts with clients and deposits clients' assets to custodian institutions and provide clients asset management services through specialized accounts; targeted asset management business refers that the company enters into a targeted asset management contract with a client and accepts entrustment from the single client to provide asset management service for the client through such client's account; specialized asset management business refers to the asset management business the company provided for clients for specialized purposes. For private equity fund management business, we operate direct investment business, which includes investment in, and management of, private equity funds, through our wholly-owned subsidiary Huatai Zijin Investment. For asset management business for fund companies, we hold non-controlling interests in two mutual fund management business companies China Southern Asset Management and Huatai-PineBridge, through which we participate in asset management business for fund companies.

Summary of the Company's Business

During the Reporting Period, the segment revenue and other income from our asset management business amounted to RMB2,505,858 thousand, representing a year-on-year increase of 82.08%, the segment expenses were RMB852,766 thousand, representing a year-on-year increase of 183.75% and the gross margin was 65.57%, representing a year-on-year decrease of 12.30 percentage points.

(4) Investment and trading business

Our investment and trading business primarily consist of equity investment and trading, fixed-income investment and trading, OTC financial products and trading. In our equity investment and trading business, we engage in the investment and trading of stocks, ETFs and derivatives for our own account and also actively engage in market-making services for exchange-traded financial products. In our fixed-income investment and trading business, we engage in the trading of various types of fixed-income securities and derivative instruments on interbank bond market and stock exchanges and actively engage in market-making services in interbank bond market. In OTC financial products and trading business, we are approved to offer and trade OTC financial products for clients. Our OTC financial products mainly include equity return swaps, structured notes and asset management schemes. We also actively engage in offer market-making services on the NEEQ.

During the Reporting Period, the segment revenue and other income from our investment and trading business amounted to RMB4,521,327 thousand, representing a year-on-year increase of 86.72%, the segment expenses were RMB1,573,213 thousand, representing a year-on-year increase of 48.85% and the gross margin was 65.20%, representing a year-on-year increase of 8.85 percentage points.

(5) Overseas business and others

We engage in overseas business via Huatai Financial Holdings, a wholly-owned subsidiary of the Company. Our overseas business mainly consists of investment banking, sales and trading, and asset management business. For investment banking business we provide investment banking services, namely the sponsorship of IPOs on the Hong Kong Stock Exchange for PRC and foreign companies, equity and debt underwriting, advising on cross-border M&A and providing financing solutions for clients. In sales and trading business, we provide securities trading and market-making service, provision of fixed-income, credit, futures contracts and structured products, as well as customized products for clients. We also provide our retail and institutional clients with global securities and futures brokerage services and margin financing services. In asset management business, we provide portfolio and fund management services for our institutional clients, high net-worth and retail customers. We have developed various types of Renminbi asset management products by leveraging Hong Kong's position as the leading offshore Renminbi center.

During the Reporting Period, the segment revenue and other income from our overseas business and others amounted to RMB1,970,915 thousand, representing a year-on-year increase of 351.43%, the segment expenses were RMB5,399,064 thousand, representing a year-on-year increase of 141.61% and the gross margin was -152.21%, representing a year-on-year decrease of 193.54 percentage points.

Summary of the Company's Business

2. Descriptions of our industry and our position in the industry during the Reporting Period

We conduct business operations in the securities industry, which is a component of the whole financial industry and a specialized sector to provide securities issuing and trading services. The key functions of this sector consist of building a bridge for securities demanders and providers and providing trading service for the two parties to promote the efficiency of securities issuing and circulation, as well as maintaining the order of the securities market.

Currently, the PRC securities industry has entered in a key stage of transitional development and innovative development. Although the PRC economic growth has been slowing, the macro-economic situation is basically favorable and still remained within a reasonable range. It shows a trend of achieving stable performance while making progresses. Various important reforms, such as the constant optimization and upgrade of economic structure, accelerated switch between the old and new economy power, directional and discretionary adjustment and control, reduction of reserve-requirement ratio, interest rate, taxes and government charges, investment and financing system reforms as well as state-owned-enterprises reforms, are set to provide a favorable historic opportunity for securities industry to achieve a leapfrog development. The securities industry has been gradually transferring from traditional passageway business with light-assets to capital intermediary business with heavy-assets. The business scope of the PRC securities industry is expanding with more diversified product features and the industry earning level is increasing remarkably with accelerated securities distribution based on internet and internationalized securities business.

Over our 24 years of operating history, we achieved rapid growth by successfully capitalizing on the transformation and development opportunities of the PRC securities industry. We completed a series of successful mergers and acquisitions and our A-Share and H-Share IPOs, and navigated through various market and business cycles, financial crises and regulatory reforms. Meanwhile, we have actively integrated and updated intermediary businesses, including brokerage and wealth management, investment banking and asset management, energetically developed capital-based intermediary businesses, constantly promoted the performance of our investment and trading activities and captured innovative growth potential. We outperformed our competitors through strategic transitions to achieve market-leading positions in multiple business lines.

Summary of the Company's Business

According to Wind information, as at the end of the Reporting Period, our equity fund trade volume continuously ranked No. 1 in securities industry; our balance of margin financing and securities lending ranked No. 5 in securities industry; the number of equity underwriting cases which we engaged in as the lead underwriter ranked No. 1 in securities industry; the number of M&A trading cases we led ranked No. 1 in PRC and Hong Kong. According to statistical data provided by China Securities Depository and Clearing Co., Ltd, as at the end of reporting period, the total amount of securities assets under our custody ranked No. 3 in securities industry. According to the statistical data on asset management business of securities and futures institutions published by Asset Management Association of China, as at the end of reporting period, the active management business size and the total asset management size of Huatai AM Co ranked No. 5 and No. 3 in securities industry, respectively. According to the statistical data provided by Analysys, as at the end of reporting period, the average daily number of active users of our mobile terminal "ZhangLe Fortune Path" ranked No. 1 among the brokers' APPs. Please see the *Rankings of Operation Results of Securities Companies in 2015* (as of the reporting date, the relevant rankings have not been published on the website of Securities Association of China) published on the website of Securities Association of China for the final rankings of our indicators such as total assets, net asset value, operating income and net profit in 2015.

II. ANALYSIS ON THE CORE COMPETITIVE STRENGTHS DURING THE REPORTING PERIOD

The Company is one of the first comprehensive securities companies approved by CSRC, and is also an innovative pilot securities company early reviewed and approved by the Securities Association of China. Over the years, the Company has always been adhering to the core values of "high efficiency, honesty, stability and innovation" and the operating concept of "centering on customer services, taking customer needs as orientation and aiming to satisfy the customers", and has gradually formed the Company's own unique core competitive strengths and gained great popularity and influence in the market.

1. Advantages of corporate governance structure

In order to establish a modern corporate system, the Company strengthened and continuously refined its corporate governance structure. A corporate governance structure with checks and balances has been formed which features the separation among Shareholders' General Meeting, the Board, the Supervisory Committee and operation management. Under such structure, they perform their respective functions at various levels and are held accountable within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company. During the Reporting Period, the Company amended a number of important governance documents including the Articles, and adjusted the composition of the Board, of the special committees under the Board and the Supervisory Committee, and purchased liability insurances for its directors, supervisors and senior management, to continue promoting the modernization of the corporate governance system and competence. Standardized and reasonable corporate governance structure can guarantee the excellent and scientific decision-making ability of the Company.

Summary of the Company's Business

2. Advantages of capital scale

Capital scale is one of the key factors that can determine the competition position, profitability, anti-risk capacity and development potential of a securities firm. Ample capital scale is the foundation for the rapid development of a securities firm. During the Reporting period, the Company completed the first equity financing upon its listing of A shares. H shares of the Company were listed and traded on Hong Kong Stock Exchange and at the same time, the Company completed the issuance of corporate bonds of RMB6.6 billion, three tranches of subordinate bonds with an aggregate amount of RMB36 billion and four tranches of short-term financing securities with an aggregate amount of RMB11 billion. External financing and endogenous growth greatly enlarged the scale of net capital and net assets and further improved the capital structure. The capital strength of the Company has entered a new phase, forming a solid capital foundation for business transformation and accelerating business innovation of the Company.

3. Advantages of risk management and internal control

The Company deeply recognized the necessity and importance of risk management and internal control, and placed consistent emphasis on the corporate culture of operating in compliance with laws and regulations. During the Reporting Period, the Company continuously adjusted and improved the risk management system and the internal control system in accordance with relevant regulatory policies, market development conditions and business conductions, to improve risk management and internal control levels comprehensively and further adapt to the development strategy covering the entire business chain and the development direction of all-rounded transformation and upgrade. Sound and effective and active and prompt risk management system and internal control mechanism effectively guaranteed the continuous and standardized development of every business of the company. During the Reporting Period, the Company was rated AA under Category A, the highest rating for our industry, during the classification evaluation of securities companies.

4. Advantages of business structure and system

The Company further propelled business innovation and transformation, deepened the construction of the entire business chain system. We maintained steady development with continual increase in business qualifications and further improvement in business system and structure. During the Reporting Period, the Company included stock options market making business in its scope of operations and actively applied for stock option brokerage business, common options proprietary trading business, specialized options trading business and private placement financing business for listed companies. With the expansion of the scope of the business, the Company gradually established an integrated financial holding group comprising securities, funds, futures and overseas businesses, with a strong economy of scale and cross-selling potential and comprehensive services which will further optimize the business development and overall business advantages of the Company.

Summary of the Company's Business

5. Advantages of online and offline channels

In recent years, the Company has been firmly propelling the integration of online and offline channels and business resources. On the one hand, the Company actively promoted the innovation in its Internet-based financial products and services and the trade mode, continued to propel the Internet development strategy centered on the mobile internet platforms, and managed to efficiently provide customers with standard services at low cost through internet platforms, with a leading position in terms of the number of mobile end users. On the other hand, the Company upgraded the functionality of its securities branches to focus on providing customized comprehensive financial services to high net-worth, institutional and corporate clients. Supported by the reasonably distributed branch network and industry-leading internet platforms, the Company's operating efficiency and synergic marketing ability has been continuously enhanced, which is conducive to provide targeted high-quality services for over 9 million clients of the Company.

6. Advantages of innovation capability

Innovation is the inexhaustible driving force of the market development and also the basic means to strengthen the competitiveness of securities institutions. The Company is one of the pilot securities companies early examined and approved, and innovation is always an important part of the Company's core values. The Company always sees innovation as a key driving force for the promotion of strategic transformation and strives for development through innovation. The Company has been designated by regulatory authorities as one of the first companies to pilot new businesses for many times, and has always been one of the leading companies in various aspects when piloting such new businesses. In recent years, with the gradual ease of the restrictions for securities innovative business, while strengthening the competitiveness of its traditional business, the Company also steadily promoted innovation business, showcased the synergy between innovation and traditional businesses and increase the proportion of income from innovation business, so as to build a solid foundation for the next stage of our development.

7. Advantages of human resource

As of the end of the Reporting Period, there were 5,410 employees in the parent company, 82.62% of which were university graduates. Employees under 40 accounted for 74.75%. The Company continuously deepened the marketization reform on human resource management, strengthened the hiring of high-end talents with innovative and global vision, enhanced employee training programs, created a system for effective talent evaluation focusing on long-term development and enhanced their professional qualifications and market competitiveness. The operating management and core management team of the Company have a deep understanding on macro-economic situation and industry development and also have rich working experience and excellent team leadership. Senior and steady management team and high-quality employees is one of the most important resources in the Company, which provides a solid foundation for shaping core talent competitiveness and supporting business development of the Company.

Summary of the Company's Business

8. Advantages of information technology

We always emphasize the innovation of information technology and reasonable plan and will integrate our information technology infrastructure and IT supporting platform to improve and centralize our clients service platform, data center, product platform and trading platform and strengthen our IT system to support our business growth and management and improve our operating efficiency for entire business chain and then help the transitional innovation of our business. We need to adapt the development requirements of new technologies, such as “cloud computing” and “big data”, and continuously strengthen operation and maintenance management of the system. We endeavor to create technological competitiveness in leading industry rankings, building a technology operating platform covering both online and offline to achieve more efficient resource allocation and targeted marketing promotion. Efficient information technology system and service can reasonably integrate company resources and enhance the competence of operating management and sustainable development.

9. Advantages of brand influence

Good brand image can help improve customers' recognition of the Company and customer loyalty, and can also inspire our employees and improve employees' loyalty, which will provide strong driving force and support for the healthy, harmonious and sustainable development of the Company. The Company continuously strengthens asset optimization management of the brand, builds marketing system for the brand and explores and deepens the brand connotation and forms a specific and unique brand image with scientific standardized operating management. The Company continuously increases the brand communication, drives and promotes business marketing with brand marketing and expands the brand influence. At the same time, the Company continues facilitating the construction of corporate culture, strengthens internal cohesion and external influence to furnish strong spirit driving force and support to the development of the Company.

During the Reporting Period, the Company completed the issuance of A+H shares. The successful listing in Hong Kong was an important milestone in our business development by further capitalizing capital market to create an international financial platform which marked a substantial step in our internationalization strategy. During the Reporting Period, our core competitiveness has not been adversely affected by the resigning of core management team and key technicians, facilities or technology upgrade and the loss of concession. We will cautiously analyze and investigate the opportunities and challenges brought by the changes in economic environment, market and business. Under multi-business operation, the Company strives to enhance its integrated competitive strength.

Management Discussion and Analysis and Report of the Board

I. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Changes in the external environment of the Company and the development of the industry during the Reporting Period

The year 2015 was not only the key year for fully deepening the reform, but also the last year for the completion of the “12th Five-Year” Plan, as well as the beginning year for the implementation of various new reforms and plans under the “13th Five-year” Plan. In 2015, the domestic and international economic situation was intricate and complex. Internationally, the global economy recovered sluggishly amid extensive adjustments, and developed economies continued to see ascending growth rates, but the speed of ascending was slowing down, while the growth rates of emerging markets and developing economies dropped more rapidly, reflecting weak recovery of the global economy in general. Domestically, China’s economy entered into a “new normal” and its economic growth rate continued to lower. As affected by various series of measures such as the combination of directional adjustments and controls and fine and pre-emptive adjustments, administration streamlining and power delegating as well as adjustments to the economic structure, China’s economic operation maintained within a rational range and its industrial structure continued to be optimized. However, affected by weak external demand and weakening effect of policy stimulation, the macro economy remained sluggish in general.

In 2015, the stock market in China experienced drastic fluctuations rarely seen before with volatile market conditions. Driven by factors such as the expectation of benefits from economic reform, sufficient liquidity and adjustment on allocation of residents’ assets and leveraged capital, China’s A-share market witnessed a fascinating bull market in the first half of 2015. However, the A-share market experienced abnormal fluctuations in the third quarter of 2015, and finally began to restore stable operation subsequent to the third quarter due to the series of stabilization measures taken by regulatory authorities. At the end of the Reporting Period, SSE Composite Index closed at 3539.18 points, representing an increase of 9.41% during the Reporting Period; while SZSE Component Index closed at 12,664.89 points, representing an increase of 14.98% during the Reporting Period. According to the issuance and trading statistics of the stock market in 2015 from Wind Info, Shanghai and Shenzhen A-share market recorded an accumulative stock trading volume of RMB253,296,838 million for the full year of 2015, representing a significant increase of 243.36% as compared to that of 2014, with a daily trading volume of RMB1,038,102 million, representing a significant increase of 244.76% as compared to that of 2014. During the Reporting Period, actual fund raised including fund raised from initial offering, additional offering and share allotment amounted to RMB1,512,198 million, representing a significant increase of 101.90% as compared to that of 2014, of which, fund raised by initial offering increased significantly with actual fund raised experiencing a significant growth of 139.70% as compared to that of 2014; the refinancing market remained active with the total fund raised by additional offering and share allotment significantly increasing by 98.53%.

Management Discussion and Analysis and Report of the Board

In 2015, China saw a sustained bull market for its bond market. Under the combined effect of various factors including weak macro economy, monetary policies introduced by the PBOC to reduce interest rates and cut reserve requirement ratio and accelerated issuance of local government bonds, interest rates in the bond market continued to take on a downward trend and the yield curve of the bond market showed a downward trend amid fluctuations. At the end of the Reporting Period, CSI Aggregate Bond Index closed at 172.15, representing an increase of 8.74% during the Reporting Period. At the end of the Reporting Period, China Bond Composite Full-price Index closed at 118.02, representing an increase of 4.23% during the Reporting Period. During the Reporting Period, China's bond market experienced a rapid growth, its market size expanded rapidly and it continuously promoted bond issuance, building of trading system, product innovation and market development both vertically and horizontally. According to the statistics on the size of bond issue in 2015 from Wind Info, the aggregate amount of bonds issued during the Reporting Period amounted to RMB34,759,960 million, representing a significant increase of 94.17% as compared to that of 2014, of which, the issue size of local governmental bonds was RMB9,920,830 million, representing a significant increase of 726.74% on a YoY basis; the issue size of NCD was RMB5,306,490 million, representing a significant increase of 490.55% on a YoY basis; the issue size of corporate bonds was RMB1,030,380 million, representing a significant increase of 613.15% on a YoY basis; the issue size of enterprise bonds was RMB668,682 million, representing a year-on-year decrease of 51.08%; and the issue size of treasury bonds, financial bonds, short-term financing bills, medium-term notes and assets-backed securities recorded a steady year-on-year increase.

Management Discussion and Analysis and Report of the Board

(II) Overall operating performance of the Company during the Reporting Period

(1) Development strategy and implementation progress of operating plan

During the Reporting Period, facing the profound changes in the capital market and regulatory environment, the Company actively implemented the strategy of covering the whole business chain, acutely captured the development opportunities in the market, constantly promoted business transformation and innovative development, and responded to the abnormal fluctuations in the capital market in a positive and effective manner, resulting in a remarkable improvement in both the quality and level of business development, and bringing the Company's operating results to a new height. As for securities brokerage business, the Company firmly implemented the internet strategy, promoted the comprehensive transformation of wealth management business, continued to expand customer base and asset scale, constantly optimized customer structure and proactively promoted product innovation and business collaboration, making the Company No. 1 in the industry in terms of the trading volume of stocks and funds. As for margin financing and securities lending business, the countercyclical regulatory mechanism was established and improved and the assessment of compliance and risk control was properly carried out in order to determine a reasonable business scale and strengthen business management. The Company ranked No. 1 in the industry in terms of the accumulated amount of margin financing and securities lending for the whole year. The Company deepened the transformation of investment banking business, took full advantage of the brand effect of merger and acquisition business, continuously promoted the development of IPO, refinancing, bonds and capital intervention businesses, resulting in a more reasonable business structure and a further optimized income structure. As for equity underwriting business, the Company ranked No. 1 in the industry in terms of the number of equity financing projects in which the Company acted as a lead underwriter and the number of merger and acquisition projects. As for asset management business, the Company continued to improve the risk management system, constantly enhanced the ability to manage active investment and actively cultivate comprehensive capability for product creation, so as to meet customers' diversified investment and financing needs, leading to a sustained increase in both the business scale and revenue and making the Company No. 3 in the industry in terms of the total size. As for equity investment business, the Company controlled the trading volume of directional investment and steadily raised the proportion of non-directional investment business. As for fixed income investment business, the Company initiated resources integration and business restructuring for FICC business, and actively conducted cross-border IRS arbitrage business. Meanwhile, the Company put aggressive efforts in exchange-traded quantitative investment business and vigorously promoted innovation in OTC derivative business, as a result of which, the product portfolio of the business was continuously enriched and diversified.

Management Discussion and Analysis and Report of the Board

During the Reporting Period, the Company increased its shareholding in Huatai United Securities; Huatai Zijin Investment completed the filing procedures for further capital increase and the establishment and capital increases of direct investment funds, industry funds and buyout funds; Huatai Asset Management completed the filing procedures for further capital increase; Huatai Financial Holdings (Hong Kong) Limited incorporated 11 subsidiaries including HTSC LIMITED and Lead Talent Enterprises Limited; Huatai Futures incorporated Huatai Capital Management (Hong Kong) Limited and established Huatai (Hong Kong) Futures Limited through Huatai Capital Management (Hong Kong) Limited by way of promotion; Huatai Innovative Investment Co., Ltd. completed the capital injection to its wholly-owned subsidiary Huatai Rising (Shanghai) Investment Co., Ltd.; and Jiangsu Equity Exchange was permitted to conduct asset management business and proactively participated in the foundation of Suzhou Equity Exchange Center (蘇州股權交易中心). All of these efforts further enhanced the Company's capability in comprehensive financial services and collectivized operation.

(2) Analysis on the progress of various matters relating to financing and major asset reorganization of the Company in the early stage

On February 18, 2014, the Company held the 3rd meeting of the 3rd session of the Board, in which the directors considered and passed the Resolution on Issuance of Short-term Financing Securities by the Company. On March 7, 2014, the Company held the first extraordinary general meeting in 2014 and considered and passed such resolution. On April 15, 2014, PBOC determined that the maximum balance of outstanding short-term financing securities for the Company was RMB12.1 billion by the Notice on Issuance of Short-term Financing Bills by Huatai Securities Co., Ltd. (Yin Fa [2014] No. 112) (關於華泰證券股份有限公司發行短期融資券的通知》(銀發[2014]112號)), whereby the Company could independently issue short-term financing bills within the effective period of one year. During the Reporting Period, the Company completed the issuance of four tranches of short-term financing bills with a total amount of RMB11 billion.

On November 25, 2014, the Company held the 13th meeting of the 3rd session of the Board, in which the directors considered and passed the Resolution on Issuance of Subordinated Bonds by the Company. On December 11, 2014, the Company held the fourth extraordinary general meeting in 2014 and considered and passed such resolution. On January 23, 2015, the Company completed the issuance of the first tranche of subordinated bonds in 2015 with an issue size of RMB6 billion. On April 20, 2015, the Company completed the issuance of the second tranche of subordinated bonds in 2015 with an issue size of RMB12 billion. On June 26, 2015, the Company completed the issuance of the third tranche of subordinated bonds in 2015 with an issue size of RMB18 billion.

Management Discussion and Analysis and Report of the Board

On March 6, 2015, the Company held the 16th meeting of the 3rd session of the Board, in which the directors considered and passed the Resolution on Public Issuance of Corporate Bonds by the Company. On March 30, 2015, the Company held the annual general meeting in 2014 and considered and passed such resolution. On June 19, 2015, the CSRC approved the public issuance of corporate bonds with a total nominal value of not more than RMB6.6 billion to qualified investors by the Company by the Approval on the Public Issuance of Corporate Bonds to Qualified Investors by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1326) (《關於核准华泰證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2015]1326號)). On July 1, 2015, the Company completed the issuance of 2015 corporate bonds (first tranche) with an issue size of RMB6.6 billion, a term of three years and a nominal interest rate of 4.20%.

On November 25, 2014, the Company held the 13th meeting of the 3rd session of the Board, in which the directors considered and passed several resolutions including the Resolution on Issuance of H Shares and Listing in Hong Kong by the Company. On December 11, 2014, the Company held the fourth extraordinary general meeting in 2014 and considered and passed such resolutions. On April 21, 2015, the CSRC approved the issuance of not more than 1,610,000,000 overseas listed foreign shares by the Company by the Approval on the Issuance of Overseas Listed Foreign Shares by Huatai Securities Company Limited (Zheng Jian Xu Ke [2015] No. 685) (《關於核准华泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]685號)). On May 7, 2015, the Listing Committee of Hong Kong Stock Exchange held listing hearing to consider the application of the Company for the issuance of not more than 1,610,000,000 overseas listed foreign shares and the listing on the Main Board of Hong Kong Stock Exchange. On June 1, 2015, 1,540,000,000 overseas listed foreign shares (H Shares) of the Company were listed and traded on the Main Board of Hong Kong Stock Exchange, including 1,400,000,000 H Shares of IPO and 140,000,000 H Shares converted from state-owned shares which were held by relevant state-owned shareholders of the Company and transferred to the Social Security Fund by them because of reduction of holding. On June 24, 2015, because of partial exercise of over-allotment option, 179,045,680 H Shares of the Company were listed and traded on the Main Board of Hong Kong Stock Exchange, including 162,768,800 H Shares additionally issued due to the partial exercise of over-allotment option and 16,276,880 H Shares converted from state-owned shares which were held by relevant state-owned shareholders of the Company and transferred to the Social Security Fund by them because of reduction of holding.

During the Reporting Period, the Company did not have any substantial asset reorganization matter.

(3) Bankruptcy reorganization, merge or division, major asset disposal, acquisition, replacement, and exfoliation, and reorganization of other companies

During the Reporting Period, there was no bankruptcy reorganization, merge or division, no major asset disposal, acquisition, replacement and exfoliation, and no reorganization of other companies by the Company.

Management Discussion and Analysis and Report of the Board

(III) Performance of principal businesses of the Company during the Reporting Period

By segment	Segment revenue and other income	Segment expenses	Segment results	Segment profit margin (%)	Year-on-year change of segment revenue and other income (%)	Year-on-year change of segment expenses (%)	Year-on-year change of segment profit margin
Brokerage and wealth management business	28,666,367	(16,490,926)	12,175,441	42.47	177.70	185.49	Decrease of 1.57 percentage points
Investment banking business	1,907,598	(1,261,818)	647,517 ⁽¹⁾	33.94	33.27	28.60	Increase of 2.45 percentage points
Asset management business	2,505,858	(852,766)	1,643,167 ⁽¹⁾	65.57	82.08	183.75	Decrease of 12.30 percentage points
Investment and trading business	4,521,327	(1,573,213)	2,948,114	65.20	86.72	48.85	Increase of 8.85 percentage points
Overseas business and others	1,970,915	(5,399,064)	(2,999,885) ⁽¹⁾	(152.21)	351.43	141.61	Decrease of 193.54 percentage points
Intersegment elimination	(156,540)	5,683	(150,857)	—	—	—	—
Segment Total	39,415,525	(25,572,104)	14,263,497	36.19	146.68	147.11	Decrease of 0.83 percentage points

(1) Including share of loss or profit of associates.

Management Discussion and Analysis and Report of the Board

(1) Brokerage and wealth management business

① *Securities and futures brokerage business*

During the Reporting Period, China's stock market went up first and dropped later with drastic fluctuations in the market conditions. The trading amount of stocks increased significantly. According to the statistics published by Shenzhen Stock Exchange and Shanghai Stock Exchange, trading volume of stock-based funds in the two markets amounted to RMB541.73 trillion, representing a year-on-year increase of 242.37%. Under the combined effect of continuous promotion of internet securities business and the implementation of "multiple accounts per capita" policy, securities firms experienced fiercer competition in the brokerage business, the average commission rate of the industry further dropped and the process of marketization accelerated observably.

During the Reporting Period, when carrying out securities brokerage business, the Company focused on earning profit and continuously expanding market share, adhered to the development strategy of "propelling transformation via internet", further optimized and improved the functions of the internet platform, and made aggressive efforts to build a customer-oriented wealth management structure and business system based on the whole business chain and assisting the sale and undertaking of diversified businesses and products. The Company took full advantage of the market opportunities arising from the implementation of "multiple accounts per capita" policy, continued to accumulate customer resources and expand the size of customer assets, and adjusted customer structure and business structure, in order to diversify its sources of income, achieve sustained growth of profit and promote the transformation of securities brokerage business. The Company continued to optimize the service system of Zijin Wealth Management, actively adapted to the internet strategy and continued to improve service packages. Meanwhile, the Company upgraded and improved its service patterns, and enhanced comprehensive service capabilities in order to satisfy customers' diversified needs for wealth management services. The Company continued to promote management transformation, improved its management system centered on the branches and adjusted the business models and positioning of operation divisions by capitalizing on the internet strategy, in order to optimize the income structure of its branches and promote their business transformation.

During the Reporting Period, the Company vigorously promoted innovation of internet securities business, continued to optimize and improve the functions and user experience of the mobile internet platform, which led to a significant increase in the number of active users for "ZhangLe Fortune Path" on the mobile terminal. During the Reporting Period, the mobile terminal of "ZhangLe Fortune Path" was downloaded for 9,325,200 times with 1,801,200 active users per day on average. Since "ZhangLe Fortune Path" was available for download on line, the accumulative downloads have reached 11,017,000. During the Reporting Period, the number of new accounts opened on the mobile terminal of "ZhangLe Fortune Path" was 2,388,200, accounting for 89.97% of the total new accounts of the Company. 72.91% of the Company's trading customers traded on through "ZhangLe Fortune Path".

Management Discussion and Analysis and Report of the Board

Data of agent transaction amount and market shares

Categories of Securities	2015		Categories of Securities	2014	
	Amount of agent transaction (in RMB100 million)	Market share (%)		Amount of agent transaction (in RMB100 million)	Market share (%)
Stocks	373,621.36	7.34	Shares	96,484.57	6.52
Funds	77,954.04	25.59	Funds	27,554.62	29.45
Debentures	104,943.26	4.03	Debentures	70,992.23	3.98
Total	556,518.66	6.95	Total	195,031.42	5.81

Note: Data of agent transaction amount and market shares is derived from the financial terminal of Wind Info.

According to the statistics from Wind Info, during the Reporting Period, the aggregate trading volume of stocks and funds of the Company amounted to RMB45.16 trillion with a market share of 8.34%, ranking the first among its peers again. According to the statistics from China Securities Depository and Clearing, as of the end of the Reporting Period, the total amount of securities under custody of the Company amounted to RMB2.60 trillion, ranking No. 3 in the industry. During the Reporting Period, the Southbound Trading business (港股通) of the Company ran smoothly. As of the end of the Reporting Period, the accumulative trading volume of the Company's Southbound Trading business amounted to RMB46.741 billion, with a market share of 7.29%.

As for the futures brokerage business, as of the end of the Reporting Period, the Company had 31 futures branches in 18 provinces across the country. During the Reporting Period, Huatai Futures (excluding clearing members) recorded a trading volume and trading amount of 184,409,200 lots and RMB33,477.139 billion, respectively, representing a year-on-year increase of 43.21% and 101.95% and accounting for 2.58% and 3.02% of the whole market, respectively. During the Reporting Period, the futures IB business of the Company kept the growth momentum with the customer size increased significantly. During the Reporting Period, the number of customers of futures IB business increased by 11,249 with the total number of customers reaching 19,479. As of the end of the Reporting Period, a total of 183 securities branches and regional headquarters of the Company were permitted to carry out futures IB business, representing an increase of 11 than 2014.

Management Discussion and Analysis and Report of the Board

② *Sales of financial products*

Pursuant to relevant laws and regulations such as the Management Regulations on Agency Sales of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》) issued by CSRC in November 2012, the Company acted as an agent to sell a variety of financial products provided by the third-party financial institutions like fund management companies, trust companies and commercial banks. During the Reporting Period, the Company took full advantage of its strengths in customer resources and network layout, conducted agency sales of financial products through its extensive network of securities branches and internet platform, which further enhanced the Company's capability in agency sales of financial products. During the Reporting Period, the total amount of sales and the total income from agency sales of financial products are set forth as below:

Unit: Yuan Currency: RMB

Agency sales of financial products	2015		2014	
	Total sales amount	Total sales income	Total sales amount	Total sales income
Fund	30,838,467,837.18	328,137,230.30	12,948,591,744.04	92,865,967.69
Trust	2,183,010,000.00	13,927,429.40	—	—
Others	4,794,644,764,281.00	6,689,907.32	1,232,486,186,858.84	475,304.02
Total	4,827,666,242,118.18	348,754,567.02	1,245,434,778,602.88	93,341,271.71

③ *Institutional sales and research business*

During the Reporting Period, the Company marketed and sold various kinds of stock exchange services and financial products, including stocks, bonds and funds, to institutional clients. The institutional clients of the Company mainly include mutual fund management companies, private fund management companies, QFII, National Social Security Fund, insurance companies, trust companies, asset management companies, RMB qualified foreign institutional investors (RQFII), finance companies and commercial banks. During the Reporting Period, the Company made great efforts in developing prime brokerage business, promoted the comprehensive development of fund custody and outsourcing business, continued to optimize and improve its business system and procedures, constantly improved its business supporting system, and strived to create a highly efficient business model, all of which contributed to the significant year-on-year growth in the volume and size of fund custody and outsourcing business. As of the end of the Reporting Period, as for fund custody business, the Company launched 307 products with a business scale of RMB27.201 billion; as for private fund outsourcing business, the Company launched 734 products with a business scale of RMB645.848 billion.

Management Discussion and Analysis and Report of the Board

During the Reporting Period, along with the reform and development of the capital market, the increasing trading activities in the market, and the rapid expansion of the AUM of mutual and private funds, securities companies saw a rapid growth in their research business as well as intensified competition in the industry. The Company put more efforts in introducing leading talents in research business as well as influential chief researchers of key industries, continued to strengthen the building of research teams, thereby further expanding and enhancing its research strength and market influence. The Company continued to improve the service system of research business, enhanced customer services and customer exploration, constantly optimized the internal organizational structure and strengthened service support given by middle and back offices, which contributed to the continuous improvement in the efficiency and quality of customer services. Meanwhile, the Company actively implemented the internationalization strategy, vigorously promoted the integration of the research businesses in Mainland China and Hong Kong, and strived to build an integrated domestic and foreign customer service network, which led to a continuous improvement in the research business both vertically and horizontally. During the Reporting Period, the Company recorded a significant increase in the revenue from research business and a steady growth in the volume of sub-position transactions of mutual funds and the market share thereof. As of the end of the Reporting Period, the volume of sub-position transactions of the Company for mutual funds was RMB892.725 billion, representing an increase of 283.09% as compared to that of 2014; the market share in terms of the volume of sub-position transactions of mutual funds was 4.88%, representing an increase of 55.41% as compared to that of 2014.

④ *Capital-based intermediary business*

During the Reporting Period, the securities market witnessed significant fluctuations, which resulted in volatile fluctuations in the balances of margin financing and securities lending business in general. In the first half of 2015, the total balance of margin financing and securities lending business amounted to RMB2,273.035 billion, which is the highest since its first introduction, and it recorded a decline later due to the factors such as the slump in the market. As of the end of the Reporting Period, the total balance of margin financing and securities lending business on Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB1,174.267 billion, representing an increase of 14.49% as compared to the same period in 2014. During the Reporting Period, the Company adopted a countercyclical management model, actively focused on the accumulation of market risks, and took pre-emptive risk control measures, thereby effectively safeguarding the Company's rights as a creditor. In the meantime, the Company took advantage of the development opportunities in the market, and made active efforts to promote the stable development of various financing businesses. As of the end of the Reporting Period, the balance of margin financing and securities lending business of the parent company amounted to RMB66.114 billion with a market share of 5.63%, ranking No. 5 in the industry, and the overall guarantee ratio remained at 339.23%. During the Reporting Period, the Company put more efforts in developing securities-backed repurchase business with a continuous increase in the business scale. As of the end of the Reporting Period, the total balance of the securities-backed lending was RMB38.928 billion, making the Company to rank No. 3 in the industry, and the overall performance guarantee ratio was 370.33%.

Management Discussion and Analysis and Report of the Board

(2) Investment banking business

① *Equity underwriting, bond underwriting and financial advisory businesses*

During the Reporting Period, the downturn pressure on the domestic economy continued to increase. China's economy is facing the "new normal" of lower growth rates, changed development model, adjusted economic structure and changed growth drivers. In the first half of 2015, the size of equity underwriting business increased significantly due to opening of IPOs and booming of the secondary market. In the second half of 2015, affected by the factors such as the abnormal fluctuations in the capital market, IPOs were suspended in July and re-opened in December, and refinancing activities were restricted to a great extent. The volume of bond issue was significantly increased and the bond market continuously expanded due to the continuous improvement of the supporting systems for bonds and the construction of market infrastructure, continuously loosened restrictions on bond issue, and the continuous enhancement of efficiency of review and approval. Following the promulgation of amendments to the benefits of the policies on mergers and acquisitions, and continuous improvement of the market environment for mergers and acquisitions, the market saw a significant increase in both the trading volume and trading amount of merger and acquisition business.

During the Reporting Period, in the face of changes in the industry, the Company actively adjusted and optimized its business layout, continued to promote the large investment banking business model of "professional specialization plus systematic collaboration", constantly reinforced the objective of human resource management of "customer managers plus product experts plus industry experts", thereby consolidating and enhancing its customer base in key industries and brand images through an all-dimensional business line system. The Company allocated more resources to develop fixed revenue business, optimized business lines, promoted breakthrough in innovative products and new services in order to cover all kinds of debenture products. The Company continued to leverage the brand effect and influence of its merger and acquisition business, made active efforts to consolidate its leading position in the market, continued to increase the number of strategic customers and continued to enhance service quality and drive the development of other businesses. The Company made active efforts in capital-based intermediary business and other innovative businesses by increasing capital investment and taking advantage of the Company's capital, merger fund and industrial fund, so as to effectively expand new growth points and enhance customer loyalty.

Management Discussion and Analysis and Report of the Board

Consolidated data

Underwriting manners	Issuance category	Times of underwriting (times)		Underwriting amount (in RMB10 thousand)		Underwriting income (in RMB10 thousand)	
		Accumulated		Accumulated		Accumulated	
		2015	over the years	2015	over the years	2015	over the years
Lead underwriting	Issue of new shares	9	135	810,660.62	8,159,570.93	32,048.20	351,704.88
	Additional issue of new shares	33	84	2,815,221.90	10,142,224.09	32,503.00	111,835.19
	Allotment of shares	0	30	0.00	1,002,136.78	0.00	19,236.96
	Convertible bonds	1	11	139,900.00	627,430.00	2,000.00	16,520.00
	Exchangeable bonds	8	8	480,539.76	480,539.76	4,025.34	4,025.34
	Preference shares	1	1	900,000.00	900,000.00	0.00	0.00
	Issue of bonds	50	260	6,362,080.22	22,040,685.32	17,806.52	125,064.11
	Sub-total	102	529	11,508,402.50	43,352,586.88	88,383.06	628,386.48
Co-lead underwriting	Issue of new shares	0	27	0.00	242,956.30	0.00	1,059.01
	Additional issue of new shares	1	4	0.00	55,903.50	300.00	469.00
	Allotment of shares	0	12	0.00	244,241.00	0.00	1,811.00
	Convertible bonds	0	3	0.00	13,284.00	0.00	12.00
	Exchangeable bonds	0	0	0.00	0.00	0.00	0.00
	Preference shares	0	0	0.00	0.00	0.00	0.00
	Issue of bonds	13	95	250,000.00	941,575.00	250.00	1,882.62
	Sub-total	14	141	250,000.00	1,497,959.80	550.00	5,233.63
Sub-underwriting	Issue of new shares	0	161	0.00	1,876,238.51	0.00	1,284.42
	Additional issue of new shares	0	28	0.00	382,226.97	0.00	701.00
	Allotment of shares	0	31	0.00	136,077.30	0.00	429.94
	Convertible bonds	0	9	0.00	164,536.00	0.00	217.74
	Exchangeable bonds	0	0	0.00	0.00	0.00	0.00
	Preference shares	0	0	0.00	0.00	0.00	0.00
	Issue of bonds	595	2,330	4,721,000.00	34,730,569.68	6,361.48	38,164.92
	Sub-total	595	2,559	4,721,000.00	37,289,648.46	6,361.48	40,798.02

Management Discussion and Analysis and Report of the Board

Information of merger, acquisition, reorganization and financial advisory (consolidated data) during the Reporting Period

	Revenue	Number	
	(in RMB10 thousand)	Current period	Accumulated over the years
Merger, acquisition, reorganization and financial advisory	54,706.89	91	822

During the Reporting Period, the Company completed a total of 102 lead-underwriting projects on consolidated basis with an aggregate lead-underwriting amount and revenue from lead-underwriting projects of RMB115.084 billion and RMB884 million, respectively. Specifically, the Company completed a total of 52 equity lead-underwriting projects on consolidated basis with an aggregate equity lead-underwriting amount and revenue from equity lead-underwriting projects on consolidated basis of RMB51,463,222,800 and RMB705,765,400, respectively. According to the statistics from Wind Info, the Company ranked No. 1 in terms of number of equity lead-underwriting projects. The Company completed a total of 50 bond lead-underwriting projects on consolidated basis with an aggregate bond lead-underwriting amount and revenue from bond lead-underwriting projects on consolidated basis of RMB63,620,802,200 and RMB178,065,200, respectively. As for merger, acquisition and reorganization business, according to the statistics from Wind and Merger market, during the Reporting Period, the Company ranked No. 1 both in the mainland and in Hong Kong in terms of the number of merger, acquisition and reorganization projects led by the Company.

Management Discussion and Analysis and Report of the Board

② *OTC business*

During the Reporting Period, NEEQ business increased rapidly. The number of companies listed on the NEEQ continued to increase. The business volume of NEEQ sponsorship business, targeted placement and market-making business surged rapidly. The NEEQ market has great potential of development due to continuous enhancement in the efficiency of review and approval as well as market liquidity as a result of improvement of the basic system of the NEEQ market and accelerated release of institutional bonus. The Company grasped the market opportunity, adjusted business structure timely and promoted the comprehensive development of various businesses, in order to provide the customers with all-round comprehensive financial services. During the Reporting Period, the Company recommended 45 projects for listing, with 5 projects approved for listing and 10 projects pending approval, completed 25 times of issuance of shares for 15 listed enterprises and successfully helped a great number of listed enterprises to carry out stocks pledged financing business, enabling such enterprises to borrow funds from banks. During the Reporting Period, Jiangsu Equity Exchange Center, a subsidiary controlled by the Company made active efforts in developing equity financing instruments and debt financing instruments, and continued to make innovations in financial products and services. As at the end of the Reporting Period, Jiangsu Equity Exchange Center had a total of 207 membership units and 3,804 investor accounts; the number of listed enterprises was 385 and the amount of funds raised through equity financing and stocks pledged financing projects by listed enterprises accumulated to RMB154.5 million and RMB15 million; and the amount of private bonds, income rights transfer products and wealth management products issued was RMB17,279 million, RMB882 million and RMB1,048 million, respectively. During the Reporting Period, upon approval by the Jiangsu Finance Office, Jiangsu Equity Exchange Center was permitted to carry out assets management business.

(3) **Asset management business**

① *Asset management business of securities companies*

In 2015, the asset management business developed both vertically and horizontally due to ongoing reforms carried out by regulatory institutions. Securities firms deepened cooperation with banks, trusts, funds, insurances and other financial organizations in asset management business and a diversified competition landscape gradually took shape. The asset management business of securities firms developed rapidly due to institutional innovations and loosened regulations, with its business scale and business income both increasing significantly. As of the end of the Reporting Period, the amount of assets managed by securities firms reached RMB11.89 trillion, representing a year-on-year increase of 49.56%.

As for asset management business of securities companies, as directed by the strategic concept of covering the whole business chain, Huatai Asset Management vigorously stimulated and created customer needs and satisfied their diversified investment financing needs with diversified financial products, so as to achieve full realization of customer value. Huatai Asset Management, acting as both the assets manager and assets supplier, continued to enhance its capabilities in

Management Discussion and Analysis and Report of the Board

active management and product innovation, strived to forge core competitiveness and has made breakthrough in numerous fields. As for collective asset management business, the size of “Daily Gain” continued to expand with its daily average inventory reaching a new height. Huatai Asset Management launched an innovative integrated wealth management business named “Daily Wealth” (天天财), and continued to optimize its service capability in supporting customer liquidity. As at the end of the Reporting Period, Huatai Asset Management managed a total of 59 collective asset management schemes in an aggregate amount of RMB101.321 billion. As for targeted asset management business, Huatai Asset Management continued to enhance its active management capability and continued to expand customized wealth management services for institutions on the basis of original stock-bank channel business. As at the end of the Reporting Period, Huatai Asset Management managed a total of 535 targeted asset management schemes in an aggregate amount of RMB499.744 billion. As for special asset management business, Huatai Asset Management made active efforts in developing asset securitization financing business, and has developed specialized business in such fields as rights to margin finance and securities lending, rights to financial leases and internet consumption finance. As at the end of the Reporting Period, Huatai Asset Management managed a total of 12 special asset management schemes in an aggregate amount of RMB13.321 billion.

According to the statistics on the asset management business of institutions with business operations for securities and futures published by the Asset Management Association of China, as of the end of the Reporting Period, Huatai Asset Management actively managed a business scale of RMB165.2 billion, ranking the fifth in the industry, and ranking the third in the industry in terms of the total scale of asset management business.

During the Reporting Period, the scale and revenue of asset management business of Huatai Asset Management Co., Ltd. were set out in the following table:

Items	2015		2014	
	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)
Collective asset management business	1,013.21	94,371.97	577.63	58,457.09
Targeted asset management business	4,997.44	24,066.95	2,844.99	14,240.17
Special asset management business	133.21	1,274.00	32.30	40.50

Management Discussion and Analysis and Report of the Board

② *Private equity fund management business*

During the Reporting Period, affected by such factors as economic structural adjustment and ongoing reform of the capital market, the space for the development of private equity investment business expanded continuously and the market faced more opportunities and challenges. During the Reporting Period, the Company made active efforts in the establishment of direct investment funds and relevant fund raising activities and continued to expand the size of assets under management. As at the end of the Reporting Period, Huatai Zijin Investment set up a total of 8 direct investment funds. Details of the amount of the funds subscribed with relevant business registration completed are as follows:

Direct investment fund	Amount of funds subscribed with relevant business registration completed
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	RMB2,000 million
Beijing Huatai Ruilian Funds Mergers (Limited Partnership)	RMB1,000 million
Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership)	RMB7,100 million
Shenzhen Huatai Ruilin Equity Investment Fund (Limited Partnership)	RMB1,000 million
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)	RMB1,000 million
Jiangsu Industrial and Information Industry Investment Fund (Limited Partnership)	RMB1,206 million
Jiangsu Huatai Emerging Industries Investment Fund (Limited Partnership)	RMB2,000.05 million
Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	RMB1,000.05 million

Management Discussion and Analysis and Report of the Board

During the Reporting Period, details of investment projects carried out by Huatai Zijin Investment and direct investment funds established by it are as follows:

	Huatai Zijin (Jiangsu) Equity Investment Fund Huatai Zijin Investment	Huatai Zijin (Limited Partnership)	Beijing Huatai Ruilian Funds Mergers (Limited Partnership)	Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership)	Shenzhen Huatai Ruilian Equity Investment Fund Partnership (Limited Partnership)	Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)
Total number of investment projects	2	6	6	2	4	1
Of which: equity investment projects	2	6	5	2	3	1
Debt investment projects	—	—	1	—	1	—
Total investment amount	RMB40,000,000	RMB298,472,000	RMB1,009,123,000	RMB1,259,660,000 + US\$50,000,000	RMB194,412,700	RMB100,000,000
Of which: equity investment projects	RMB40,000,000	RMB298,472,000	RMB906,935,000	RMB1,259,660,000 + US\$50,000,000	RMB134,412,700	RMB100,000,000
Debt investment projects	—	—	RMB102,188,000	—	RMB60,000,000	—

③ *Asset management for fund companies*

During the Reporting Period, against the backdrop of drastic fluctuations in the stock market, fund companies under the Company continued to improve their internal control system, strengthened control of compliance risk, optimized product portfolio, constantly expanding the scale of assets under management and improving management level, as a result of which, the business income of such fund companies increased significantly. As for assets management business of China Southern Asset Management, as at the end of the Reporting Period, China Southern Asset Management managed a total of 85 funds in its mutual funds business, and the total size of which amounted to RMB334.200 billion, representing an increase of 65.30% as compared to RMB202.176 billion in the corresponding period of 2014; the net asset value of private funds business amounted to RMB175.980 billion, representing an increase of 90.61% as compared to RMB92.323 billion in the corresponding period of 2014. During the Reporting Period, China Southern Asset Management was awarded the title of “Golden Bull Fund Management Company” (金牛基金管理公司) by China Securities Journal, “12th China Golden Fund • TOP Fund Managers” (第十二届中国‘金基金’TOP公司奖) by Shanghai Securities News and “Top 10 Star Fund Company for 2014” (2014年度十大明星基金公司奖) by Securities Times and etc.. As for assets management business of Huatai-PineBridge, as at the end of the Reporting Period, Huatai-PineBridge managed a total of 35 funds in its mutual fund business, and the total size of which amounted to RMB129.923 billion, representing an increase of 116.27% as compared to RMB60.075 billion in the corresponding period of 2014; the net asset value of private funds business amounted to RMB1,146 million, representing a decrease of 4.82% as compared to RMB1,204 million in the corresponding period of 2014. During the Reporting Period, Huatai-PineBridge was awarded the title of “Golden Bull Fund Management Company” by China Securities Journal and “12th China Golden Fund • TOP Fund Managers” by Shanghai Securities News and etc..

Management Discussion and Analysis and Report of the Board

④ *Other major businesses*

As for futures asset management business, during the Reporting Period, Huatai Futures continued to promote business innovation while actively carrying out traditional assets management business. As at the end of the Reporting Period, Huatai Futures managed a total of 120 assets management schemes which were in the duration period, and the total size of which amounted to RMB7,290,351,000, representing a year-on-year increase of 902.91%. The size of futures interests amounted to RMB1,887,053,800, representing a year-on-year increase of 454.86%.

(4) **Investment and trading business**

① *Investments in equity securities and trading business*

In 2015, the recovery of world economy remained rough and difficult, domestic macro economy remained weak and its growth rate continued to slow down, and the pressure on economic restructuring remained heavy. In 2015, China recorded a year-on-year growth of 6.9% for its gross domestic products (GDP). Affected by such factors as strong expectation of reforms and loosened macro liquidity, the stock market experienced a significant increase amid drastic fluctuations. During the Reporting Period, by adhering to the investment objective of “earning reasonable returns while controlling risks”, the Company focused on safety margin, controlling risks and reducing drawdown, increased the proportion of non-directional investment projects and made utilization of various financial instruments and trading techniques effectively as well as made active efforts in exploring investment categories with higher safety margin. As at the end of the Reporting Period, the ROI of the Company’s equity securities investments far outperformed the CSI 300 Index’s growth rate; the Company took a series of positive measures to stabilize the capital market, including entering into agreements with China Securities Finance to invest in the stock market and expanding the scale of proprietary equity investment. The Company continued to improve the investment research system for exchange traded quantified hedging investment business, made active efforts in identifying opportunities arising from alpha hedging investment strategies and carried out arbitrage activities by increasing leverage as appropriate. During the Reporting Period, the Company achieved outstanding performance for its exchange traded quantified hedging investment business. The Company actively carried out market-making business on the National Equities Exchange and Quotations System. As at the end of the Reporting Period, the Company has provided market-making and quotation services for a total of 36 listed enterprises and the total market capitalization of the market-making business amounted to RMB248 million.

Management Discussion and Analysis and Report of the Board

② *Fixed income investment and trading business*

In 2015, affected by factors such as weak domestic macro-economic fundamentals, continuous interest rate reduction and reserve requirement ratio cuts by PBOC, loosening monetary policies and sufficient fund in the market, the interest rates in the bond market presented a downward trend in general, the yield curve moved downward substantially, and the bond market maintained an upward trend. During the Reporting Period, the Company created a business system driven by proprietary investment and capital-based intermediary business, made active efforts in conducting and promoting the transformation of traditional businesses, and promoted overall deployment in innovative businesses under the guidance of development strategies for FICC business. In carrying out proprietary investment transactions, the Company focused on the effectiveness of risk hedging and identification of credit risk, and achieved steady accumulation of profits by relying on accurate judgments on the market and resolute implementation of strategies. As to the capital-based intermediary business, by capitalizing on the accumulated project resources and customer reserve, the Company achieved a steady increase of management scale and diversification for product categories. The Company actively conducted innovative businesses such as cross-border IRS arbitrage business. As at the end of the Reporting Period, the Company conducted a total of 26 transactions and the trading amount of which as calculated by nominal principal amounted to RMB740 million. Both of the fixed-income investments and the trading business of the Company delivered favorable performances, with the growth rate of net value outperformed that of the China Bond Composite Full-price Index.

③ *OTC financial products and trading business*

During the Reporting Period, the Company made great efforts in upgrading the OTC market trading platform, constantly enhancing business system and procedures, taking a lead in realization of routing payment for quotation system, and launching various products and services such as custody plans, structured notes, trust schemes, return swaps, structural products and restricted equity financing in an orderly manner, while vigorously promoting the development of private equity products, OTC derivatives and innovative financing solutions. Currently, the Company's OTC market business was licensed with the full spectrum of authorities, including investment, agency trading, creation, referral and display. During the Reporting Period, the Company issued a total of 68 structured notes with an accumulated scale of RMB24,081 million. As of the end of the Reporting Period, there were 16 on-going structured notes with an amount of RMB10,653 million. During the Reporting Period, the Company conducted a total of 51 equity return swaps trading transactions. As of the end of the Reporting Period, there were 37 on-going equity return swaps trading transactions with an amount of RMB6,422 million.

④ *Other major businesses*

During the Reporting Period, the Company conducted alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment Co., Ltd.. During the Reporting Period, Huatai Innovative Investment invested in 6 new projects and currently, there are 4 outstanding projects. Alternative investment products include commodity futures-spot arbitrage, quantitative hedging products, transfer and repurchase of equity income rights. In 2015, Huatai Innovative Investment achieved investment income and unrealized gains of RMB112,095.3 thousand.

Management Discussion and Analysis and Report of the Board

Consolidated data

Unit: Thousand Yuan Currency: RMB

Item	2015	2014
Net gain realized from the sale of available-for-sale financial assets	1,130,112	569,354
Dividend income and interest income from available-for-sale financial assets	307,496	177,150
Net gain realized from the sale of financial instruments at fair value through profit or loss	3,693,752	1,969,733
Dividend income and interest income from financial instruments at fair value through profit or loss	2,665,918	1,128,720
Net loss realized from the sale of derivative financial instruments	(324,275)	(2,314,692)
Interest income from held-to-maturity investments	229	229
Unrealized fair value changes of financial instruments at fair value through profit or loss	732,588	2,034,093
Unrealized fair value changes of derivative financial instruments	(1,448,622)	(891,774)
Others	—	5,919
Total	6,757,198	2,678,732

(5) Overseas business and others

During the Reporting Period, Huatai Financial Holdings (Hong Kong) continued to promote the development of its overseas business and explore new product lines, thus achieving the transformation and upgrade of its business, and successfully transforming its business model from the retail brokerage business focused pattern to a financial service platform with many business lines. As at the end of the Reporting Period, Huatai Financial Holdings (Hong Kong) was licensed by the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, and established comprehensive lines of operation.

Management Discussion and Analysis and Report of the Board

As at the end of the Reporting Period, in terms of securities trading, clients of Huatai Financial Holdings (Hong Kong) reached 15,721, and total assets under custody reached HK\$8.297 billion, with total stocks trading volume reaching HK\$29.171 billion; in terms of dealing in futures contracts, its clients reached 1,973, funds under custody reached HK\$62 million, and the total dealing in futures reached 113,600 board lots; in terms of advising on securities, it provided research reports and advisory services for approximately 700 clients; in terms of advising on corporate finance, it participated in 2 IPO projects, 3 allotment projects and 8 bond issue projects, with total clients for its underwriting service reaching 13 and total amount of trading and issuance reaching approximately HK\$97.224 billion; in terms of financing for securities deposits, accounts of credit capital reached 4,557 with the cumulative amount of credit granting reaching HK\$90 million; in terms of providing assets management, the total amount of funds under custody reached HK\$3,101 million. Meanwhile, during the Reporting Period, Huatai Financial Holdings (Hong Kong) completed 12 financial advisory projects and 8 structured investment and financing projects.

In addition to what is disclosed above, due to the interest income and interest expenses generated from general working capital as well as other businesses of the head office, increased interest expenses caused by additional issuance of bonds during the Reporting Period and the operation and management expenses of the head office, the profit before tax of overseas business and others amounted to RMB -2,999,885,000, representing -21.03% of the total profit before tax during 2015.

(6) Business innovation and its effects on the Company's operating performance and future development, and how to control relevant risks

① *Main business innovation and its effects on the Company's operating performance and future development*

In terms of the credit business, during the Reporting Period, the Company carried out option exercise financing and restricted stock financing business and private equity financing actively to satisfy the financing needs of incentive scheme participants of listed companies to purchase listed shares and subscribe for restricted shares by exercising options, and the financing needs of the clients to subscribe for the shares of private placement of listed companies. As of the end of the Reporting Period, the outstanding financing amounts of the option exercise financing business and the restricted stock financing business amounted to RMB1.858 million and RMB1,372 million respectively. These business lines were designed to supplement the existing product lines and business scope of the Company. In addition to interest income generation, they are also beneficial to improving the client structure and business operating model, enhancing the profitability and further increasing the brand influence of the Company.

In terms of OTC derivatives business, during the Reporting Period, this business segment has maintained the rapid development momentum since last year and become a stable source of the profitability of the Company, with its business scale expanding rapidly, sources of revenue gradually diversified, and business scopes enriched and improved. As the stabilizer for investment business, the OTC derivatives business will provide vast innovation room for investment business, diversify the product mix in capital market and satisfy various demands of the clients, thereby further increasing the income sources of securities firms.

Management Discussion and Analysis and Report of the Board

In terms of the option brokerage and exchange traded option business, during the Reporting Period, as approved by the Shanghai Stock Exchange, the Company became a stock option trading participant in Shanghai Stock Exchange and was licensed to engage in stock option brokerage and proprietary businesses. During the Reporting Period, the stock option brokerage business of the Company enjoyed a good momentum with a total volume of 2,696,300, accounting for 4.25% of the market share, and the cumulative accounts of option investors reached 3,507. The option brokerage business is conducive to further expanding the business scope and income channels of the securities firms. In addition, as approved by the CSRC and the Shanghai Stock Exchange, the Company became a major market maker for Shanghai Stock Exchange 50 ETF option contracts during the Reporting Period. The Company actively participated in the market making business and obtained a B ranking in the annual market making rating; therefore, it was approved to engage in the option market making business of Shanghai Stock Exchange in 2016 as a primary market maker. The commencement of exchange traded option business has diversified the quantified investment strategies and provided a variety of investment and risk management tools.

In terms of OTC business, on October 14, 2014, the Company was permitted by the Securities Association of China to carry out OTC market pilot business. During the Reporting Period, the Company actively explored the normalized product issuance mechanism, continued to expand the scope and means of product sales, with the aim of addressing investors' diversified products configuration needs and comprehensive financial needs. The development of OTC market business will facilitate the reform and integration of the basic functions of securities firms, while effectively releasing the business space of securities firms, and expanding their client base and enriching their service delivery.

In terms of funds custody outsourcing business, on September 29, 2014, the Company was permitted to carry out security investment funds custody business under the approval of the CSRC. The Company also completed the filing procedures for private funds business outsourcing service providers with the Asset Management Association of China (AMAC) on April 21, 2015. During the Reporting Period, the Company actively conducted funds custody outsourcing business in accordance with relevant regulations and the requirements set out in the approval documents. Such funds custody outsourcing activities are expected to promote the integration of various financial products of securities firms, thus satisfying different needs of clients and enabling comprehensive financial services.

Management Discussion and Analysis and Report of the Board

② *Risk control for business innovation*

During the Reporting Period, the Company continued to promote business innovation, and drove innovation in respect of new business lines, new products, services and management models, with a view to enhance the innovation capability of the Company. In the course of operating its innovative business segments, the Company adhered to the basic principle of “satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency”. Based on the characteristics of risk profile of innovative business, risk control measures in relation to organization mechanisms, decision making and delegation of authority and systems and procedures were further consolidated. These initiatives were designed to mitigate risks arising from insufficient awareness on the risks of innovative business, unreasonable business design, and incomplete control mechanism, thus ensuring the sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks.

With regard to credit innovative business, during the Reporting Period, the Company launched a number of brand-new business lines, including “restricted equity financing”, “financing by exercising options under the incentive schemes of listed companies” and “private equity financing”. On the basis of the original risk management of credit business and taking into consideration the characteristics of innovative business, the Company further enhanced its systems to cover all parts of business, such as client credit investigation and extension, management of credit account, management of security, management of daily mark to market and mandatory liquidation, feedback from clients, receipt and handling of client’s complaints and business risks management manual. In order to avoid and control business risks, the risk management function of the Company has established a risk threshold, and deployed dedicated personnel to carry out real-time monitoring of various risk indicators in the course of business. In addition, various means such as timely assessment and reporting on risks and testing on pressures were conducted after the close of trading to meet the Company and its regulatory body’s requirements on business risk levels.

In terms of OTC derivatives business such as equity return swaps, the Company has established the risk control measures and systems covering various nodes on business procedures. These measures and systems were designed to address different issues, including assessment of counterparts, selection of subject securities, setting of transaction limits, risk hedging management, daily mark to market and risk control. In carrying out specific business, first-line staff from specific business unit is responsible for daily mark to market and monitoring, while the risk management function is responsible for second-tier monitoring, and developing detailed assessment on credit risk, market risk and liquidity risk on the basis of the original risk management measures, so as to ensure the risk levels recorded in the course of business meet the requirement in relation to each predetermined limit.

Management Discussion and Analysis and Report of the Board

In terms of exchange traded option business, the Company's Equity Securities Investment Committee determined the upper limit on overall investment scale of stock option business within the scope of authorization delegated by the Board. During the course of business, on the basis of first-line risk control, the risk management function monitored and assessed the risks arising in the operation of the option business, developed risk limit, established risk hedging mechanism and conducted daily mark to market, including but not limited to: capital size of option business, exposure and the issue of Greek alphabet, profit and loss rate of investment projects, utilization of the margin and so on. Among these indicators, the utilization of the margin included intraday real-time margin percentage and day-end margin maintenance percentage, as well as establishing the early warning mechanism to ensure control of business risks.

In terms of option brokerage business, the Company has established standardized systems, procedures and functions. Through the comprehensive risk monitoring on information system, the Company has developed a number of indicators for risk monitoring, including the performance security rate, liquidating security rate, leapfrog transaction of investors, quota of subscription, limit on position, the gap of fund when settling warrants and the gap of securities when settling warrants. Clients facing high risks will receive warning, margin call and mandatory liquidating notice through SMS messages, telephone or email from the Company. Daily monitoring and corresponding measures were also carried out for companies engaging in option brokerage business in respect of overall business activities, appropriateness requirement on clients, risk profile and unusual transaction of clients.

In terms of OTC market business, during the Reporting Period, the Company completed the construction of the OTC transaction monitoring module, and the development of transaction monitoring indicators and threshold value setting, including account monitoring, appropriateness management of clients, unusual transactions, transaction integrity, market-making business, special business monitoring, segregation wall management, as well as product and client information inquiries.

In terms of funds custody outsourcing, during the Reporting Period, the Company further revised and improved the management system for fund custody and outsourcing, while optimizing business procedures and clarifying the business auditing responsibilities assumed by relevant departments. Meanwhile, for the purpose of satisfying the needs of disclosure of net value of funds by private funds managers and enquiry on number of units held by investors, as part of our commitment to providing value-added services, the Company developed various functions for information disclosure of products under custody, disclosure of net value of outsourced products, and enquiry on number of units held by investors on our website. Under the outsourcing service agreement on funds business and entrusted by private funds managers, the Company may disclose the net value of outsourced fund products and provide services in respect of enquiry on number of units held by investors on behalf of the clients.

Management Discussion and Analysis and Report of the Board

II. MAIN OPERATIONS DURING THE REPORTING PERIOD

As of December 31, 2015, on consolidated basis, the total assets of the Company amounted to RMB452.615 billion, representing a year-on-year increase of 66.26%; the equity attributable to shareholders of the parent company amounted to RMB80.785 billion, representing a year-on-year increase of 95.61%; the revenue and other income amounted to RMB39.416 billion, representing a year-on-year increase of 146.68%; profit before income tax amounted to RMB14.263 billion, representing a year-on-year increase of 141.15%; and the net profit attributable to shareholder of the parent company amounted to RMB10.697 billion, representing a year-on-year increase of 138.44%.

(I) Main businesses analysis

Changes in relevant items of the income statement and the cash flow statement

Unit: Thousand Yuan Currency: RMB

Items	Amount in the current period	Amount in the same period of last year	Change percentage (%)
Total revenue and other income	39,415,525	15,978,485	146.68
Total expenses	(25,572,104)	(10,348,660)	147.11
Profit before income tax	14,263,497	5,914,816	141.15
Profit for the year attributable to shareholders of the Company	10,696,871	4,486,276	138.44
Net cash used in operating activities	(46,417,732)	(11,173,496)	(315.43)
Net cash (used in)/generated from investing activities	(21,122,340)	2,324,757	(1,008.58)
Net cash generated from financing activities	53,833,089	26,459,627	103.45
Net (decrease)/increase in cash and cash equivalents	(13,706,983)	17,610,888	(177.83)
Research and development expenses	(28,880.28)	(12,579.54)	129.58

Management Discussion and Analysis and Report of the Board

1. Revenue and other income

For the year ended December 31, 2015, the Group recorded revenue and other income of RMB39.416 billion, representing a year-on-year increase of RMB23.437 billion or 146.68%, mainly attributable to the significant market fluctuations in 2015, active trading and significant increases in the equity fund trading volume, the size of margin financing and securities lending and the size of asset management business compared with the previous year, which benefited the brokerage and proprietary securities trading businesses of securities firms directly. With an ongoing focus on market-oriented development, the Company captured development opportunities in the market, and continued to drive innovation and transformation, thereby achieving remarkable improvement in both the quality and level of business development, with a significant increase in the income from each business line, in particular, the income from the brokerage and wealth management business as well as the investment and trading business, among which:

- Fee and commission income amounted to RMB20.2 billion, accounting for a proportion of 51.25% and representing a year-on-year increase of 148.55%, mainly because benefiting from the active stock market transactions in 2015, the Company made great efforts in expanding the internet finance and achieved a historic breakthrough in the internet strategy. The mobile internet terminal has become an important platform for the Company to attract a large number of customers, provide customers with efficient services and accumulate a diversified customer base. As the Company's equity fund trading volume grew significantly, taking up the largest market share, the corresponding brokerage fee income posted a significant increase;
- Interest income amounted to RMB11.894 billion, accounting for a proportion of 30.18% and representing a year-on-year increase of 145.19%, mainly because the Company captured the H-share financing opportunity and vigorously expanded the capital-based intermediary business, with a great increase in the scale of the margin financing and securities lending as well as securities backed lending. The daily average scale of margin financing and securities lending of the Company was 15% higher than that of the industry. With a continuous increase in our market share, the interest income from margin financing and securities lending of the capital-based intermediary business increased by RMB4.422 billion. In addition, the interest income from financial institutions increased by RMB2.5 billion, mainly attributable to a significant increase in the customer transaction settlement funds arising from the active trading in the stock market;

Management Discussion and Analysis and Report of the Board

- Net investment gains amounted to RMB6.757 billion, accounting for a proportion of 17.14% and representing a year-on-year increase of 152.25%, mainly because the market was favorable and the proprietary investment business boomed with significant increase in income from shares, bonds, funds and derivative trading in the first half of the year. The “diminishing orientation” policy of investment and trading business of the Company, which led to obvious effects, has stood the test of the market amid the stock crisis occurred in the second half of the year, and the gains on equity investment recorded substantial growth compared to last year. Meanwhile, the Company has initiated resources integration and business restructuring for FICC business and the direct investment business has gradually recorded profits. Furthermore, the return of Company’s comprehensive investment exceeded the average level in the industry.

The composition of the Group’s revenue and other income during the Reporting Period is as follows:

Unit: Thousand Yuan Currency: RMB

Item	2015		2014		Change	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Fee and commission income	20,200,431	51.25%	8,127,332	50.86%	12,073,099	148.55%
Interest income	11,893,681	30.18%	4,850,805	30.36%	7,042,876	145.19%
Net investment gains	6,757,198	17.14%	2,678,732	16.76%	4,078,466	152.25%
Other income and gains	564,215	1.43%	321,616	2.01%	242,599	75.43%
Total revenue and other income	39,415,525	—	15,978,485	—	23,437,040	146.68%

2. Total expenses

For the year ended December 31, 2015, the total expenses of the Group amounted to RMB25.572 billion, representing a year-on-year increase of 147.11%, mainly because the Group recorded year-on-year increase in all the expenditures and costs due to the increase in revenue and other income resulted from the rapidly growing business scale of the Group, among which,

- Fee and commission expenses amounted to RMB5.676 billion, representing a year-on-year increase of 234.9%, mainly because the significant improvement of shares and funds trade volume resulted in the great increase of income in brokerage business commission and handling fee, and the corresponding fees required by the exchange, brokerage commission etc. has increased by RMB3.9 billion;

Management Discussion and Analysis and Report of the Board

- Interest expenses amounted to RMB7.812 billion, representing a year-on-year increase of 216.80%, mainly because the Company raised funds through debt financing instruments such as the issuance of corporate bonds, subordinated bonds and structured notes in order to meet the demands of business expansion. Among which, interest expenses on financial assets sold under repurchase agreements in capital-based intermediary business increased by approximately RMB1,923 million, interest expenses on bonds issued by the Company and interest expenses on gold leasing increased by RMB2,000 million and RMB439 million, respectively;
- Staff costs amounted to RMB8.141 billion, representing a year-on-year increase of 110.09%, mainly because the remuneration of relevant customer managers and the performance bonus of the employees increased due to the increase of operating income of the Company;
- Other expenditures mainly include depreciation and amortisation expenses, business tax and surcharges as well as provision for impairment losses and other operating expenses, among which, other operating expenses amounted to RMB1.815 billion during the Reporting Period, representing a year-on-year increase of 32.70%, mainly because the provisions for investor protection funds by the Company, fees charged by the exchange and other operating expenses increased accordingly due to the increase of trading volume and operation revenue.

Unit: Thousand Yuan Currency: RMB

Item	2015		2014		Change	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Fee and commission expenses	(5,675,615)	22.19%	(1,650,054)	15.94%	(4,025,561)	243.97%
Interest expenses	(7,812,191)	30.55%	(2,465,995)	23.83%	(5,346,196)	216.80%
Staff costs	(8,141,192)	31.84%	(3,875,057)	37.45%	(4,266,135)	110.09%
Depreciation and amortisation expenses	(332,752)	1.30%	(312,331)	3.02%	(20,421)	6.54%
Business tax and surcharges	(1,722,544)	6.74%	(660,140)	6.38%	(1,062,404)	160.94%
Other operating expenses	(1,814,551)	7.09%	(1,367,392)	13.21%	(447,159)	32.70%
Asset impairment losses	(73,259)	0.29%	(17,691)	0.17%	(55,568)	314.10%
Total expenses	(25,572,104)	100%	(10,348,660)	100%	(15,223,444)	147.11%

Management Discussion and Analysis and Report of the Board

3. Analysis of revenue and other income and expenditures

(1) Analysis of segment revenue and other income

Unit: Thousand Yuan Currency: RMB

Business segment	Segment revenue and other income during the period	Percentage of total segment revenue and other income during the period (%)	Segment revenue and other income in the same period of last year	Percentage of total segment revenue and other income in the same period of last year (%)	Year-on-year change of the percentage of total segment revenue and other income
Brokerage and wealth management	28,666,367	72.44	10,322,746	64.56	Increased by 7.88 percentage points
Investment banking	1,907,598	4.82	1,431,418	8.95	Decreased by 4.13 percentage points
Asset management	2,505,858	6.33	1,376,210	8.61	Decreased by 2.28 percentage points
Investment and trading	4,521,327	11.43	2,421,414	15.14	Decreased by 3.71 percentage points
Overseas business and others	1,970,915	4.98	436,598	2.74	Increased by 2.24 percentage points

During the Reporting Period, on consolidated basis, the total revenue and other income of the Company amounted to RMB39,415,525 thousand, representing a year-on-year increase of 146.68%. Among the main business segments, the year-on-year increase in brokerage and wealth management business, investment and trading business, asset management business and investment banking business was RMB18,343,621 thousand, RMB2,099,913 thousand, RMB1,129,648 thousand and RMB476,180 thousand respectively.

From the perspective of income structure, as affected by the big shock in Shanghai and Shenzhen stock indexes, significant increase in trading volume and rapid growth in the balance of margin financing and securities lending in the market, and also due to the continuous increase of the Company's market share in terms of equity fund trading with secured first place in the market, the percentage of the segment revenue and other income from brokerage and wealth management business to the total revenue and other income increased by 7.88 percentage points as compared to that of 2014. Hong Kong branch of the Company participated as sponsor and leading underwriter in the completion of H Shares issuance of the Company in 2015, and the Company's ability to manage liquidity was continuously improved, income and other gains from overseas business increased significantly with the percentage of total revenue and other income increased by 2.25 percentage points year on year.

Management Discussion and Analysis and Report of the Board

(2) Breakdown of segment expenses

Unit: Thousand Yuan Currency: RMB

Business segment	Segment expenses during the period	Percentage of total segment expenses during the period (%)	Segment expenses in the same period of last year	Percentage of total segment expenses in the same period of last year (%)	Year-on-year change of the percentage of total segment expenses
Brokerage and wealth management	(16,490,926)	64.47	(5,776,414)	55.81	Increased by 8.66 percentage points
Investment banking	(1,261,818)	4.93	(981,189)	9.48	Decreased by 4.55 percentage points
Asset management	(852,766)	3.33	(300,531)	2.90	Increased by 0.43 percentage points
Investment and trading	(1,573,213)	6.15	(1,056,927)	10.21	Decreased by 4.06 percentage points
Overseas businesses and others	(5,399,064)	21.12	(2,234,621)	21.60	Decreased by 0.48 percentage points

From the percentage of the segment expenses of every business to the total expenses of the Company, the proportion of the expenditure of investment and banking business, investment banking business and overseas businesses and others to the total expenses decreased by 4.06%, 4.55% and 0.48% year on year, respectively; and the proportion of the expenditure of asset management business and brokerage and wealth management business increased by 0.43% and 8.66% year on year, respectively, mainly because the proportion of the expenditure of investment banking business, investment and trading decreased, mainly due to the slight increase on expenditure of the two segments resulted in the decrease of the proportion; the proportion of the expenditure of overseas businesses and others decreased slightly and the proportion of the expenditure of brokerage and wealth management business has a small increase; the proportion of the expenditure of asset management business increased, mainly due to the changes on terms of the asset management contract of Zijin No.1 of this year, substantial increases on performance fees and the operating cost of subsidiaries of asset management business increased; the increases on the expenditure of brokerage and wealth management business matches with that of the revenue.

Management Discussion and Analysis and Report of the Board

During the Reporting Period, the cash flow of the Company was as follows:

Unit: Thousand Yuan Currency: RMB

Items	Amount in the current period	Amount in the same period of last year	Increase or decrease amount	Increase or decrease percentage (%)
Net cash used in operating activities	(46,417,732)	(11,173,496)	(35,244,236)	(315.43)
Net cash (used in)/generated from investing activities	(21,122,340)	2,324,757	(23,447,097)	(1,008.58)
Net cash generated from financing activities	53,833,089	26,459,627	27,373,462	103.45
Net (decrease)/increase in cash and cash equivalents	(13,706,983)	17,610,888	(31,317,871)	(177.83)

During the Reporting Period, the net increase in the cash and cash equivalents of the Group was RMB-13,706,983 thousand among which,

- (1) Net cash from operating activities amounted to RMB-46,417,732 thousand, representing a year-on-year decrease of 315.43%, mainly due to the increase in net cash paid for purchase of financial assets at fair value through profit or loss, the decrease in the scale of stock repurchase business and increases in operating cash outflow such as fee and commission expenses and interest expenses.
- (2) Net cash from investing activities amounted to RMB-21,122,340 thousand, representing a year-on-year decrease of 1,008.58%, mainly due to the increase in cash paid for available-for-sale financial assets investment.
- (3) Net cash from financing activities amounted to RMB53,833,089 thousand, representing a year-on-year increase of 103.45%, mainly due to the increase in cash inflow from financing such as equity finance of H Shares and issuance of subordinated bonds.

4. Details of the material changes in the composition or sources of the Company's profit

In 2015, the main businesses of the Company were still composed of brokerage and wealth management, investment banking, asset management, investment and trading, and overseas business. There were no material changes in the composition or sources of the Company's profit.

Management Discussion and Analysis and Report of the Board

(II) Analysis of main items in consolidated statement of financial position

(1) Overview of consolidated statement of financial position

Unit: Thousand Yuan Currency: RMB

Item	December 31, 2015		December 31, 2014		Change	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Non-current assets						
Property and equipment	3,379,018	0.75%	3,303,686	1.21%	75,332	2.28%
Investment properties	1,301,531	0.29%	673,981	0.25%	627,550	93.11%
Goodwill	51,342	0.01%	51,342	0.02%	0	0.00%
Other intangible assets	424,968	0.09%	401,211	0.15%	23,757	5.92%
Interests in associates	2,673,834	0.59%	1,874,488	0.69%	799,346	42.64%
Held-to-maturity investments	5,000	0.00%	5,000	0.00%	0	0.00%
Available-for-sale financial assets	25,624,381	5.66%	4,969,114	1.83%	20,655,267	415.67%
Financial assets held under resale agreements	3,843,367	0.85%	2,400,120	0.88%	1,443,247	60.13%
Financial assets at fair value through profit or loss	1,200,000	0.27%	—	—	1,200,000	—
Refundable deposits	6,009,300	1.33%	4,482,845	1.65%	1,526,455	34.05%
Deferred tax assets	212,609	0.05%	178,878	0.07%	33,731	18.86%
Other non-current assets	78,174	0.02%	108,854	0.04%	(30,680)	(28.18%)
Total non-current assets	44,803,524	9.90%	18,449,519	6.78%	26,354,005	142.84%
Current assets						
Accounts receivable	621,554	0.14%	362,653	0.13%	258,901	71.39%
Other receivables and prepayments	3,896,218	0.86%	2,057,220	0.76%	1,838,998	89.39%
Margin accounts receivable	67,432,118	14.90%	64,636,739	23.74%	2,795,379	4.32%
Available-for-sale financial assets	12,494,340	2.76%	4,307,034	1.58%	8,187,306	190.09%
Financial assets held under resale agreements	21,791,161	4.81%	18,309,906	6.73%	3,481,255	19.01%
Financial assets at fair value through profit or loss	130,038,108	28.73%	55,999,958	20.57%	74,038,150	132.21%
Derivative financial assets	334,750	0.07%	20,815	0.01%	313,935	1,508.22%
Clearing settlement funds	2,551,703	0.56%	544,255	0.20%	2,007,448	368.84%
Cash held on behalf of brokerage clients	131,944,524	29.15%	71,536,310	26.28%	60,408,214	84.44%
Cash and bank balances	36,706,615	8.11%	36,001,627	13.22%	704,988	1.96%
Total current assets	407,811,091	90.10%	253,776,517	93.22%	154,034,574	60.70%
Total assets	452,614,615	100.00%	272,226,036	100.00%	180,388,579	66.26%

Management Discussion and Analysis and Report of the Board

Item	December 31, 2015		December 31, 2014		Change	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Current liabilities						
Short-term bank loans	688,322	0.19%	—	—	688,322	—
Short-term debt instruments issued	1,053,004	0.28%	24,787,070	10.76%	(23,734,066)	(95.75%)
Placements from other financial institutions	3,000,000	0.81%	1,500,000	0.65%	1,500,000	100.00%
Accounts payable to brokerage clients	128,367,379	34.59%	70,228,405	30.50%	58,138,974	82.79%
Employee benefits payable	2,807,787	0.76%	1,740,597	0.76%	1,067,190	61.31%
Other payables and accruals	99,320,062	26.76%	56,802,319	24.67%	42,517,743	74.85%
Current tax liabilities	2,193,031	0.59%	358,645	0.16%	1,834,386	511.48%
Financial assets sold under repurchase agreements	22,392,019	6.03%	44,668,228	19.40%	(22,276,209)	(49.87%)
Derivative financial liabilities	2,460,345	0.66%	730,743	0.32%	1,729,602	236.69%
Financial liabilities at fair value through profit or loss	14,479,838	3.90%	9,245	0.00%	14,470,593	15623.45%
Long-term bank loans due within one year	125,000	0.03%	—	—	125,000	—
Long-term bonds due within one year	2,998,178	0.81%	—	—	2,998,178	—
Total current liabilities	279,884,965	75.42%	200,825,252	87.21%	79,059,713	39.37%
Net current asset	127,926,126		52,951,265		74,974,861	141.59%
Total assets less current liabilities	172,729,650		71,400,784		101,328,866	141.92%
Non-current liabilities						
Long-term bonds	69,374,000	18.69%	21,345,324	9.27%	48,028,676	225.01%
Long-term bank loans	359,985	0.10%	138,658	0.06%	221,327	159.62%
Long-term employee benefits payable	3,366,621	0.91%	705,434	0.31%	2,661,187	377.24%
Deferred income tax liabilities	351,819	0.09%	601,174	0.26%	(249,355)	(41.48%)
Financial assets sold under repurchase agreements	10,800,000	2.91%	5,000,000	2.17%	5,800,000	116.00%
Financial liabilities at fair value through profit or loss	6,948,454	1.87%	—	—	6,948,454	—
Other non-current liabilities	—	—	1,665,786	0.72%	(1,655,786)	—
Total non-current liabilities	91,200,879	24.58%	29,456,376	12.79%	61,744,503	209.61%
Net asset	81,528,771		41,944,408		39,584,363	94.37%

Management Discussion and Analysis and Report of the Board

Item	December 31, 2015		December 31, 2014		Change	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Equity of shareholders						
Share capital	7,162,769	8.79%	5,600,000	13.35%	1,562,769	27.91%
Reserves	58,390,133	71.62%	25,379,369	60.51%	33,010,764	130.07%
Undistributed profits	15,232,023	18.68%	10,319,187	24.60%	4,912,836	47.61%
Total equity attributable to shareholders of the Company	80,784,925	99.09%	41,298,556	98.46%	39,486,369	95.61%
Non-controlling interests	743,846	0.91%	645,852	1.54%	97,994	15.17%
Total equity of shareholders	81,528,771	100.00%	41,944,408	100.00%	39,584,363	94.37%

As of December 31, 2015, the total non-current assets of the Group amounted to RMB44.804 billion, representing an increase of RMB26.354 billion as compared with that at the beginning of the year, mainly because the investment in available-for-sale financial assets increased by RMB20.655 billion, refundable deposits increased by RMB1.526 billion, financial assets held under resale agreements increased by RMB1.443 billion and financial assets at fair value through profit or loss increased by RMB1.2 billion. As of December 31, 2015, the total non-current liabilities of the Group amounted to RMB91.201 billion, representing an increase of RMB61.745 billion as compared with that at the beginning of the year, mainly because the long-term bonds increased by RMB48.029 billion, financial assets sold under repurchase agreements increased by RMB5.8 billion, financial liabilities at fair value through profit or loss increased by RMB6.948 billion and long-term employee benefits payable increased by RMB2.661 billion.

As of December 31, 2015, the total current assets of the Group amounted to RMB407.811 billion, representing an increase of RMB154.035 billion as compared with that at the beginning of the year, mainly because the financial assets at fair value through profit or loss increased by RMB74.038 billion, cash held on behalf of brokerage clients increased by RMB60.408 billion, available-for-sale financial assets increased by RMB8.187 billion and margin accounts receivable increased by RMB2.795 billion. The total current liabilities of the Group amounted to RMB279.885 billion, representing an increase of RMB79.060 billion as compared with that at the beginning of the year, mainly because the accounts payable to brokerage clients increased by RMB58.139 billion, other payables and accruals increased by RMB42.518 billion, financial liabilities at fair value through profit or loss increased by RMB14.471 billion, which was offset by the decrease of RMB22.276 billion of financial assets sold under repurchase agreements. As of December 31, 2015, the net current asset of the Group amounted to RMB127.926 billion, representing an increase of RMB74.975 billion as compared with that at the beginning of the year.

Management Discussion and Analysis and Report of the Board

(2) Description of assets measured at fair value, changes in measurement attributes of main assets and other related information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

Fair value has an important impact on the Company's financial position and operating results. The Company constantly improves the fair value measurement, audit, reporting and disclosure, etc.. During the Reporting Period, the Company classified financial instruments and strictly recognized their fair value in accordance with the accounting policies and accounting systems approved by the Board.

During the Reporting Period, gains and losses from changes in fair value had the following impact on the Company's profits:

Unit: Thousand Yuan Currency: RMB		
Item	Impact on the profit for 2015	Impact on the profit for 2014
Financial assets at fair value through profit or loss	-48,085	2,034,174
Financial liabilities at fair value through profit or loss	780,673	-81
Derivative financial instruments	-1,448,622	-891,774
Total	-716,034	1,142,319

(3) Asset structure and asset quality

As of December 31, 2015, the total equity of shareholders of the Group was RMB81.529 billion, increased by RMB39.584 billion and 94.37% as compared with that as of the end of 2014. The main reason for the growth was the issuance of 1,563,000,000 H shares in Hong Kong Stock Exchange by the Group during the Reporting Period with proceeds of over RMB30.0 billion as well as the significant increase in the Group's profits.

Management Discussion and Analysis and Report of the Board

Asset structure was continuously optimized, and asset quality and liquidity was maintained at a good level. As of December 31, 2015, the Group's total assets was RMB452.615 billion, increased by RMB180.389 billion and 66.26% as compared with that at the beginning of the year, among which, the cash and bank balances and settlement funds in the Group's assets accounted for 8.67% of the total assets. Financial assets at fair value through profit or loss, available-for-sale financial assets, accounts receivable, other receivables and prepayments accounted for 38.42% of the total assets, margin accounts receivable accounted for 14.90% of the total assets, cash held on behalf of brokerage clients accounted for 29.15% of the total assets, financial assets held under resale agreements accounted for 5.66% of the total assets, property and equipment accounted for 0.75% of the total assets. Most assets had strong cashability. The Group's assets were of strong liquidity and the asset structure was reasonable. As of December 31, 2015, the ratio of current assets to current liabilities was 145.71%, up by 19.34% as compared to that of December 31, 2014. For the information on the net capital and various risk control indexes of securities companies, please refer to the section of "Company Profile and Key Financial Indicators".

As of December 31, 2015, the Company raised funds through various financing channels such as borrowings and debt financing instruments, interbank lending and Exchange-traded and OTC repurchase.

At the end of the Reporting Period, total borrowings and the debt financing of the Group amounted to RMB77,598,488,265.36. The following table sets forth the details of the breakdown:

Borrowings and debt financing projects	At the end of 2015
Interbank lending	3,000,000,000.00
Short-term borrowings	688,321,600.00
Short-term financing payables	1,053,004,000.00
Long-term borrowings	484,985,041.19
Bonds payable	72,372,177,624.17
Total	77,598,488,265.36

Amounts with financing terms exceeding one year was RMB69.734 billion, representing 89.87%, among others, amounts with financing terms between one and two years, two and five years and more than five years were RMB40.717 billion, RMB23.027 billion, RMB5.990 billion, respectively, and those of less than one year was RMB7.864 billion, representing 10.13%. Borrowing limit was RMB500,000 thousand and currently we had borrowed RMB484,985 thousand with annual interest rate of 4.75%.

Management Discussion and Analysis and Report of the Board

Among others, USD borrowings and debt financing in aggregate was US\$503,514,138.72, equivalent to RMB3,269,619,411.17.

At the end of 2015, the borrowings and the debt financing of the Group based on the fixed interest rate was RMB77,598,488,265.36, and among which, the balances of interbank lending, structured notes, corporate bonds, subordinated bonds and offshore bonds were RMB3,000,000,000.00, RMB10,653,004,000.00, RMB16,577,256,469.13, RMB43,613,623,343.87 and RMB2,581,297,811.17, respectively.

Our placements from other financial institutions, short-term debt instruments (respectively being short-term bank borrowings and short-term debt instruments in issue), long-term bonds (including the long-term bonds with maturity within one year) and long-term bank borrowings (including long-term bank borrowings with maturity within one year) were RMB3,000.0 million, RMB1,741.3 million, RMB72,372.2 million and RMB485.0 million, respectively. For further detail of the above-mentioned disclosure of debt breakdown, please see Notes 41 to 43 and 49 to 52 to the Consolidated Statements.

At the end of 2015, cash and cash equivalent of the Group amounted to RMB36.707 billion, among which, cash and cash equivalent dominated in RMB representing 94.2%.

As of December 31, 2015, the land-use right was being mortgaged for long-term bank loans of the Company. No other Group's asset in the Company is being pledged other than this disclosure.

The asset-liability ratio was improved. As of December 31, 2015, the total liabilities of the Group was RMB371.086 billion, increased by RMB140.804 billion as compared with that at the beginning of the year, mainly because during the Reporting Period, the stock market remained positive and client securities brokerage services increased significantly. At the same time, in order to vigorously develop the capital-based intermediary business, the Company raised funds through multiple channels, expanded the financing scale and improved the financial leverage.

Management Discussion and Analysis and Report of the Board

(4) Profitability of the Company during the Reporting Period

During the Reporting Period, the Company's revenue and profit recorded a significant increase as compared with the previous year, which was primarily due to the following two reasons: (i) Stock indexes of Shanghai Stock Exchange and Shenzhen Stock Exchange oscillated fiercely with a sharp rise in trading volume, balance of margin financing and securities lending grew rapidly, and equity investment yield and market equity financing scale substantially increased; (ii) The Company put more efforts on the reform and development and accelerated the transformation of the brokerage and wealth management business this year. Since the Company exerted efforts in implementing the whole business chain strategy and accelerating the innovation and expansion of its businesses, the brokerage and wealth management business, investment banking, asset management and investment and trading business recorded satisfactory results. In particular, the market share of the Company in terms of the total volume of equity fund trading in 2015 was 8.34%, up by 0.45% as compared with 2014, making the Company to remain the first in the industry. The Company rose to the third place in the industry in terms of the balance of the entrusted customer transaction settlement funds at the end of the year. Average scale of margin financing and securities lending of the Company grew by over 1.8 times as compared with that of the previous year, exceeding the industrial average value. Asset management business scale exceeded RMB600 billion and rose to the third place in the industry. Therefore, under the premise of building up lifelines for the healthy and steady development of the Company by way of vigorously promoting the reform and transformation, actively forging core competitiveness of each business line, strongly enhancing its compliance and risk management ability and establishing a lifeline for the Company's healthy and robust development, the market competitiveness for various businesses of the Company will be further strengthened, and the continuity and stability of the Company's profitability will be further consolidated and enhanced.

(5) Description of the changes of the consolidation scope of statements

1. *Scope changes as a result of the establishment of new subsidiaries*

On December 31, 2015, newly established subsidiaries of this year were included in the consolidation scope of the Group. The Company's management believed that the Company had the actual control over these newly established subsidiaries, so the long-term equity investment cost method was used for such subsidiaries. The Group added 38 subsidiaries into the consolidated financial statements this year.

2. *Changes of the consolidation scope as a result of new structured entities incorporated into the consolidation scope*

The Group consolidated the structured entities (mainly asset management schemes) in which the Company involves as manager or investment consultant and also as investor and the Group will be exposed to variable returns to a great extent due to the returns that the Group is entitled to from its investment and the remuneration to be received as the manager and investment consultant after comprehensive assessment in accordance with IFRS 10. The Group added 19 structured entities into the consolidated financial statements this year, the details of which are set out in Note 56(a) in the financial report.

Management Discussion and Analysis and Report of the Board

(6) The Company's income tax policy during the Reporting Period

During the Reporting Period, the Company paid income tax in accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》). The calculation and payment of income tax were carried out in compliance with the Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Enterprise Income Tax on Trans-regional Business Operations (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》) (Announcement No. 57 [2012] of the SAT). The income tax rate applicable to the Company and its subsidiaries in China is 25% and the profits tax rate applicable to the Company's Hong Kong subsidiary is 16.5%.

(7) Analysis on the financing channels and financing capability of the Company

① *Financing channels of the Company*

In terms of the financing methods, the Company's financing channels are equity financing and debt financing. In terms of the financing period, the short-term financing channels of the Company mainly include: credit lending through the inter-bank market, issuance of short-term commercial bills, short-term corporate bonds, issuance of short-term subordinated bonds and structured notes through the inter-bank market and exchange market, issuance of margin financing and securities lending income rights financing and asset securitization and others. The medium and long-term financing channels of the Company mainly include: issuance of corporate loans, issuance of long-term subordinated bonds, project-financing loans, equity follow-on offering and so on. Through fruitful efforts over the years, the Company explored and established a financing platform integrating multiple financial channels and combining short, medium and long-term financing (including new financing tools), which played a key role in the rapid development of the Company's business.

② *Liquidity management policy and measures of the Company*

The Company has always attached importance to liquidity management and emphasized fund management in order to adhere to the principle of unifying safety, liquidity and profitability. With respect to the business development strategy, the Company focused on the match between the business scale and liabilities and confirmed the rational proportion between the duration and scale of asset liabilities through rational allocation of assets and diversified debt financing, in order to ensure that the Company can maintain appropriate liquidity.

Adhering to centralized management and separate risk prevention, the Company conducted liquidity risk management in a comprehensive, prudent and foreseeable manner. Based on comprehensive risk management structure, the Company established a sound liquidity management system matching with the corporate strategy. The Company adopted a prudent liquidity risk management policy to prevent any liquidity risk which may significantly affect the sustainable operation of the Company to ensure the stable, safe and smooth operation of all businesses of the Company.

Management Discussion and Analysis and Report of the Board

In order to ensure its liquidity, the Company has adopted various key measures, including: 1) refining the capital plan to strengthen the management of capital position and cash flow control in order to ensure the daily liquidity; 2) strengthening in management of matching the duration of assets and liabilities to establish quality current asset reserves in order to enhance the diversity and stability of financing; 3) improving the liquidity risk reporting system so as to ensure that the management can timely understand the liquidity risk management level and management situation; 4) continuously improving the liquidity management platform to effectively identify, measure, monitor and control the liquidity risk through information system in order to ensure the liquidity risks are measurable, controllable and tolerable; and 5) analyzing cash flow and capital exposure under certain stress scenarios to evaluate the tolerance level of the Company to liquidity risks and formulate necessary liquidity risk contingency plan according to the stress test results.

③ ***Analysis of financing capability and financing strategy of the Company***

The Company operated properly within the authorized scope with high reputation. With the strong capital strength, profitability and solvency, non-seasonal borrowings and good cooperation relationship with various commercial banks, sufficient bank credit lines, and steadily growing credit lines, the Company has strong short-term and long-term financing ability. As a listed securities firm, the Company can also solve capital demand for long-term development through equity refinancing and other ways. Therefore, the financing capability of the Company is relatively strong and the Company is able to raise funds for its operation by ways of financing approved by regulatory authorities. Looking forward, the Company will adopt other financing channels approved by regulatory authorities based on the business development. The financing cost of such financing channels is subject to the fluctuation of market interest rate. The Company will enhance the monitoring and analysis of the market interest rate and select appropriate financing channels and timing to meet the needs of business development and reduce the financing cost.

In order to maintain the liquidity and profitability, the Company has maintained certain amount of bank deposits and fixed return products. Changes in interest rates will directly affect the interest income of the cash and market price and investment return of bond investments held by the Company. Margin financing and securities lending and other capital intermediary business, corporate debt financing and other businesses which directly related to the interest rate may impact corresponding interest income and financing interest expenses and so on. In addition, the equity investments of the Company will also be indirectly affected by changes of interest rate. As the Company has overseas-registered subsidiaries, of which the capital is contributed in foreign currency, the Company possesses capital and assets denominated in foreign currency. Fluctuation of exchange rates will have certain extent of impact on the financial position of the Company.

Management Discussion and Analysis and Report of the Board

In order to maintain the liquidity and income rate of the Company's assets, the Company's own funds were managed by the capital operation department in accordance with sound management system and corresponding business processes. By timely adjusting various assets structure, optimizing the allocation structure of assets and liabilities, strengthening research on market interest rate and exchange rate, and using corresponding interest rates, exchange rates and other derivative financial tools, the Company avoided and mitigated the impact of the above factors.

④ ***Contingencies and their impact on the financial position of the Company***

As of the end of the Reporting Period, contingencies of the Company mainly included a counter guarantee to the Bank of China Co., Ltd. for the Company's Hong Kong subsidiary to issue a foreign debt of 0.4 billion U.S. dollars, contingent liabilities resulted from pending legal proceedings (see notes to the auditor's report for details). The above matters have minimal impact on the financial position of the Company.

Management Discussion and Analysis and Report of the Board

(III) Analysis of industry operation

During the Reporting Period, with the in-depth propulsion of capital market reform and innovation and development in the securities industry and by benefiting from the market condition and active transactions, the securities industry recorded significant operating performance, operating income and net profit reached a record high in terms of scale and growth speed, and profitability of the securities industry was significantly improved. At the same time, during the Reporting Period, securities firms conducted large-scale financing through various financing channels, therefore, assets scale and net capital of the securities industry increased sharply, which greatly enriched the capital strength of the industry and was conducive to the development of the businesses of securities firms.

1. Analysis on the overall operation of the securities industry during the Reporting Period

Items of profit and loss	2015	2014	Increase or decrease compared to the previous year
Operating revenue	RMB575.155 billion	RMB260.284 billion	120.97%
Net profit	RMB244.763 billion	RMB96.554 billion	153.50%

Asset items	December 31, 2015	December 31, 2014	Increase or decrease compared to the end of the previous year
Total assets	RMB6.42 trillion	RMB4.09 trillion	56.97%
Net assets	RMB1.45 trillion	RMB920.519 billion	57.52%
Net capital	RMB1.25 trillion	RMB679.160 billion	84.05%

Other items	2015	2014	Increase or decrease compared to the previous year
Number of securities companies	125	120	4.17%
Number of profitable companies	124	119	4.20%
Proportion of profitable companies	99.20%	99.17%	Increased by 0.03%
Balance of customer transaction settlement funds (including credit transaction funds)	RMB2.06 trillion	RMB1.2 trillion	71.67%
Market value of securities under custody	RMB33.63 trillion	RMB24.86 trillion	35.28%
Principal of entrusted funds			
Total	RMB11.88 trillion	RMB7.97 trillion	49.06%

Management Discussion and Analysis and Report of the Board

Note: Data used by the analysis was derived from the unaudited operating data of securities companies promulgated by the Securities Association of China on parent company basis.

Securities companies achieved an operating income of RMB575.155 billion in 2015, up by 120.97% as compared with 2014; and net profit of RMB244.763 billion, up by 153.50% as compared with 2014; As of the end of 2015, the total assets of securities companies were RMB6.42 trillion, up by 56.97% as compared with that at the end of 2014; net assets of RMB1.45 trillion, up by 57.52% as compared with that at the end of 2014; and net capital of RMB1.25 trillion, up by 84.05% as compared with that at the end of 2014. In 2015, the number of securities companies was 125, up by 4.17% as compared with 2014; the number of profitable companies was 124, up by 4.20% as compared with 2014; the proportion taken by profitable companies increased by 0.03% as compared with 2014.

2. Analysis on the operation of main businesses in the securities industry during the Reporting Period

Breakdown of the income from main businesses	2015	Proportion	2014	Proportion	Increase or decrease in income
Net income from the client securities brokerage services	RMB269.096 billion	46.79%	RMB104.948 billion	40.32%	156.41%
Net income from the securities underwriting and sponsorship business	RMB39.352 billion	6.84%	RMB24.019 billion	9.23%	63.84%
Net income from financial advisory business	RMB13.793 billion	2.40%	RMB6.919 billion	2.66%	99.35%
Net income from investment advisory business	RMB4.478 billion	0.78%	RMB2.231 billion	0.86%	100.72%
Net income from asset management business	RMB27.488 billion	4.78%	RMB12.435 billion	4.78%	121.05%
Income from securities investment (including changes in fair value)	RMB141.354 billion	24.58%	RMB71.028 billion	27.29%	99.01%
Net interest income	RMB59.125 billion	10.28%	RMB28.372 billion	10.90%	108.39%
Total operating revenue	RMB575.155 billion	100.00%	RMB260.284 billion	100.00%	120.97%

Note: Data used in the analysis was derived from the unaudited operating data of securities companies promulgated by China Securities Industry Association on parent company basis.

Management Discussion and Analysis and Report of the Board

- (1) Securities brokerage business. During the Reporting Period, the securities brokerage business in the industry was supplemented by amount to cover low price, showing a trend of concentration. In 2015, the securities industry achieved a net income from the client securities brokerage services of RMB269.096 billion, up by 156.41% as compared with 2014. The contribution to the securities industry revenue increased from 40.32% in 2014 to 46.79%. By the end of 2015, the balance of customer transaction settlement funds was RMB2.06 trillion (including credit transaction funds), up by 71.67% as compared with that at the end of 2014. Market value of entrusted securities was RMB33.63 trillion, up by 35.28% as compared with that at the end of 2014.
- (2) Investment banking business. During the Reporting Period, financing function of A shares was further improved, IPO and refinancing scale grew quickly. In 2015, the securities industry achieved a net income from underwriting, sponsorship and financial advisory business of RMB53.145 billion, up by 71.78% as compared with 2014. The contribution to the securities industry revenue decreased from 11.89% in 2014 to 9.24%. According to the statistics of Wind Info, in 2015, the funds actually raised by way of IPO, additional issuance and allotment was RMB147.001 billion, RMB1,334.091 billion and RMB15.501 billion respectively, up by 139.70%, 98.10% and 9.15% as compared with 2014.
- (3) Securities investment business. During the Reporting Period, the scale of and income from securities investment business in the industry maintained growing and the proportion of equity investment increased. In 2015, the securities industry achieved securities investment income (including changes in fair value) of RMB141.354 billion, up by 99.01% as compared with 2014. The contribution to the operating revenue of the securities industry revenue decreased from 27.29% in 2014 to 24.58%.
- (4) Asset management business. During the Reporting Period, the industry's asset management business slowed and the product category shifted from the channel to the initiative. In 2015, the securities industry achieved a net income from asset management business of RMB27.488 billion, up by 121.05% as compared with 2014. The contribution to the operating revenue of the securities industry maintained at 4.78% as the same as that in 2014. By the end of 2015, the total principal of the entrusted management capital was RMB11.88 trillion, up by 49.06% as compared with that at the end of 2014.
- (5) Net interest income. In 2015, the securities industry achieved a net interest income of RMB59.125 billion, up by 108.39% as compared with 2014. The contribution to the securities industry revenue decreased from 10.90% in 2014 to 10.28%. As for the margin financing and securities lending business, during the Reporting Period, the industry's margin financing and securities lending business fluctuated substantially for the first time, which means a counter-cyclical mechanism will be promoted. Based on the statistics of Wind Info at the end of 2015, the balance of the margin financing and securities lending aggregately was RMB1,174,267 million up by 14.49% as compared with that at the end of 2014. The balance of the margin financing and securities lending separately were RMB1,171,307 million and RMB2,960 million, up by 15.13% and down by 64.26% respectively as compared with that at the end of 2014.

Management Discussion and Analysis and Report of the Board

(IV) Analysis of the investment

1. Analysis of total external equity investments

As of the end of the Reporting Period, the Company's total external equity investments was RMB2,674 million, representing an increase of RMB0.8 billion or 42.69%, as compared to RMB1.874 billion at the beginning of the period.

Unit: Yuan Currency: RMB

Investee	Book value	Change	Book value	Shareholding	Principal business
	at the beginnings of the period		at the end of the period	percentage (%)	
China Southern Asset Management Co., Ltd.	1,359,324,049.23	237,810,269.19	1,597,134,318.42	45.00	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	243,389,084.64	95,112,083.26	338,501,167.90	49.00	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	256,523,312.65	263,678,245.65	520,201,558.30	48.25	Equity investment
Jiangsu Small and Micro-Enterprise Financing Products Trading Center Co., Ltd. (江蘇小微企業融資產品交易中心 有限責任公司)	15,251,156.95	1,737,369.82	16,988,526.77	49.00	Financial services
Jiangsu Industry and Information Industry Investment Fund (Limited partnership)	0.00	201,000,000.00	201,000,000.00	16.67	Equity investment
Others	0.00	8,170.99	8,170.99		
Total	1,874,487,603.47	799,346,138.91	2,673,833,742.38	/	/

(1) Significant equity investments

As of the end of the Reporting Period, the Company respectively injected capital of RMB0.7 billion and RMB2.15 billion to Huatai Asset Management and Huatai Zijin Investment, wholly owned subsidiaries of the Company. The Company also contributed approximately RMB51 million to purchase the equity of Huatai United Securities, with the shareholding increased to 99.72%; Huatai Zijin Investment, a wholly owned subsidiary of the Company contributed an additional investment of RMB193 million in the Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) with a shareholding of 48.25% and contributed RMB201 million to establish the Jiangsu Industry and Information Industry Investment Fund (Limited partnership) with a shareholding of 16.67%. The Company also invested about RMB2.039 billion in other equity through direct investment business.

Management Discussion and Analysis and Report of the Board

Investee	Principal business	Shareholding percentage	Investment	Capital	Book value	Change in the current period	Book value	Partner	Profit and loss	Changes in
			amount at the beginning of the period	contribution amount	at the beginning of the period		at the end of the period		during the Reporting Period	owner's equity during the Reporting Period
Huatai Securities (Shanghai) Asset Management Co., Ltd.	Asset management	100%	300,000,000.00	700,000,000.00	300,000,000.00	/	1,000,000,000.00	None	701,821,593.11	31,040,441.36
Huatai Zijin Investment Co., Ltd.	Equity investment	100%	600,000,000.00	2,150,000,000.00	600,000,000.00	/	2,750,000,000.00	None	128,261,324.69	457,990,724.69
Huatai United Securities Co., Ltd.	Investment banking	99.72%	1,224,096,481.63	50,959,558.00	1,224,096,481.63	/	1,275,056,039.63	China Eastern Air Holding Company, China Nuclear Energy Industry Corporation	448,472,469.03	36,369,057.65
China Southern Asset Management Co., Ltd.	Fund management	45%	253,800,000.00	/	1,359,324,049.23	237,810,269.19	1,597,134,318.42	Shenzhen Investment Holdings Co., Ltd., Xiamen International Trust Co., Ltd., Industrial Securities Co., Ltd.	347,751,953.32	25,058,315.87
Huatai-PineBridge Fund Management Co., Ltd.	Fund management	49%	101,200,000.00	/	243,389,084.64	95,112,083.26	338,501,167.90	PineBridge Investments LLC and Suzhou New District Hi-tech Industrial Co., Ltd.	80,512,107.94	14,599,975.32
Huatai Zijin (Jiangsu) Investment Fund (Limited Partnership)	Equity investment	48.25%	260,566,713.80	193,000,000.00	256,523,312.65	70,678,245.65	520,201,558.30	Jiangsu Rongzeqi Investment Management Co., Ltd. (江蘇容澤奇投資管理有限公司), Fujian Minhong Huatai Equity Investment Partnership Enterprise (Limited Partnership) (福建閩弘華泰股權投資合夥企業(有限合夥)), Beijing Huibao Jinyuan Investment Management Center (Limited Partnership)(北京匯寶金源投資管理中心(有限合夥)), Suning Appliance Co., Ltd. (蘇寧電器集團有限公司), Xuzhou Newspaper Media Co., Ltd. (徐州報業傳媒有限公司), Nanjing Huanxi Technology Consulting Co., Ltd. (南京環西科技諮詢有限公司), Nanjing Varsal Pharmaceutical Science and Technology Development Co., Ltd. (南京萬川醫藥科技發展有限公司), and Jiangsu King's Luck Brewery Joint-stock Co., Ltd.(江蘇今世緣酒業股份有限公司)	-9,878,816.84	80,557,062.49
Jiangsu Small and Micro-Enterprise Financing Products Trading Center Co., Ltd. (江蘇小微企業融資產品交易中心有限責任公司)	Financial services	49%	14,700,000.00	/	15,251,156.95	1,737,369.82	16,988,526.77	Jiangsu Exchange Depository and Clearing Co., Ltd.	1,737,369.82	/
Jiangsu Industry and Information Industry Investment Fund (Limited partnership)	Equity investment	16.67%	0.00	201,000,000.00	/	/	201,000,000.00	Finance Department of Jiangsu Province	/	/

Management Discussion and Analysis and Report of the Board

1. Profit or loss during the Reporting Period in the above table refers to the impact of the investment on consolidated net profit attributable to the parent company.
2. Changes in the amount of the owner's equity during the Reporting Period in the above table do not include the impact of profit and loss during the Reporting Period.

(2) Significant non-equity investment

Unit: Ten Thousand Yuan Currency: RMB

Project name	Project amount	Project progress	Accumulated		Project return	Transferred		Year-end balance
			Amount invested in this year	actual investment amount		to buildings this year	to investment properties this year	
Huatai Securities Plaza	282,575.24	94.90%	66,166.04	268,154.78	/	-144,337.09	-52,348.27	71,469.42

(3) Financial assets measured at fair value

Unit: Yuan Currency: RMB

Project name	Investment cost at the end of the period	Book balance at the end of the period	Investment income during the Reporting Period	Profit or loss of
				changes in fair value during the Reporting Period
Financial assets at fair value				
through profit or loss	129,581,114,183.55	131,238,108,713.37	6,359,444,343.32	-48,085,136.36
Financial liabilities at fair value				
through profit or loss	22,208,763,587.01	21,428,292,467.49	225,000.00	780,673,651.69
Financial assets available				
for sale	32,255,763,186.92	38,118,720,503.37	1,437,608,379.31	1,712,011,248.72
Derivative financial instruments	-31,401,108.79	-2,125,595,372.73	-324,274,731.48	-1,448,622,228.43

Management Discussion and Analysis and Report of the Board

2. Use of proceeds

(1) Overview of use of proceeds

① Overview of use of proceeds from issuance of A Shares

As approved by China Securities Regulatory Commission (“CSRC”) pursuant to the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) (《關於核准华泰證券股份有限公司首次公開發行股票的批覆》(證監許可[2010]138號)), the Company publicly issued 784,561,275 ordinary shares of RMB1.00 each at an offering price of RMB20.00 per share on February 9, 2010. Total amount of proceeds raised was RMB15,691,225,500.00. After deducting the underwriting and sponsorship fee of RMB130,000,000.00, the proceeds was RMB15,561,225,500.00. The Company received all proceeds as of February 12, 2010 and have been verified by Jiangsu Talent Certified Public Accountants with the capital verification report (Tian Heng Yan Zi [2010] No. 009). As of December 31, 2012, all proceeds raised from the initial public offering had been used. The aggregate amount of proceeds used was RMB15.681 billion (including interests of proceeds raised of RMB119.8082 million). All of accounts designated for the use of proceeds had been cancelled with settlement of interests.

② Overview of use of proceeds from issuance of H Shares

As approved by the CSRC, the Company completed the issuance of H Shares in 2015. Proceeds from the issuance of H Shares have been verified by KPMG Huazhen LLP and KPMG Huazhen Yanzi No. 1501031 verification report (畢馬威華振驗字第1501031號驗資報告) has been issued.

According to the verification report issued by KPMG Huazhen LLP, the net proceeds from the initial public offering of H Shares of the Company in 2015 was RMB30,587,689,604.94 (after deducting related expenses of the listing) and was RMB30,015,054,696.76 (after deducting related expenses and the underwriting fee).

The Company will gradually utilize the proceeds from the issuance of H shares based on its development strategy, market conditions and the intended use of such proceeds.

(2) Changes of use of proceeds

During the Reporting Period, the Company had no changes of use of proceeds.

Management Discussion and Analysis and Report of the Board

3. Projects financed by funds not raised from others

During the Reporting Period, the Company did not have any project invested through funds not raised from others with a total investment exceeding 10% of the unaudited net asset of the Company in the previous year.

(V) Sales of major assets and equity interests

During the Reporting Period, the Company did not have any sales of major assets and equity interests.

(VI) Analysis of key subsidiaries

- (1) Huatai United Securities Co., Ltd. has registered capital of RMB997,480 thousand, which is owned as to 99.72% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai United Securities were RMB6,954,753.6 thousand and RMB5,656,977 thousand, respectively. Its operating income, total profit and net profit for the year were RMB1,778,243.7 thousand, RMB604,656.5 thousand and RMB452,277.9 thousand, respectively.

Principal businesses: securities underwriting and sponsorship (excluding treasury bonds, non-financial enterprise debt financing instruments and financial bond underwriting business); financial advisory for securities trading and investment related activities; other businesses approved by CSRC.

- (2) Huatai Securities (Shanghai) Asset Management Co., Ltd. has registered capital of RMB1,000,000 thousand, which is owned as to 100.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai Asset Management were RMB33,151,904.7 thousand and RMB1,732,927.6 thousand, respectively. Its operating income, total profit and net profit for the year were RMB1,344,377.6 thousand, RMB977,444.4 thousand and RMB732,911.8 thousand, respectively.

Principal business: securities asset management (projects that need to be approved by law shall be carried out upon approval by relevant authorities).

- (3) Huatai Zijin Investment Co., Ltd. has registered capital of RMB2,350,000 thousand, which is owned as to 100.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai Zijin Investment were RMB11,568,482.6 thousand and RMB3,670,318 thousand, respectively. Its operating income, total profit and net profit for the year were RMB277,161.5 thousand, RMB158,891.5 thousand and RMB149,116 thousand, respectively.

Principal businesses: equity investment (using its own funds or clients' funds), debt investment, other fund investment associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment, and financial consulting (projects that need to be approved by law shall be carried out upon approval by relevant authorities).

Management Discussion and Analysis and Report of the Board

- (4) Huatai Financial Holdings (Hong Kong) Limited has paid-in capital of HK\$1,000,000 thousand which is owned as to 100.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai Financial Holdings (Hong Kong) were RMB4,104,282.1 thousand and RMB893,662 thousand, respectively. Its operating income, total profit and net profit for the year were RMB372,142.3 thousand, RMB80,533.2 thousand and RMB33,058.9 thousand, respectively.

Principal businesses: investment banking (stock underwriting, bond underwriting, private placement, financial consulting, merger and acquisition, structured financing and investment), sales and trading (provision of trading and market making services for various securities and futures products including shares, fixed income products, credits, futures contracts and structured products; provision of customized financial products and market access proposals for customers; provision of financing services for securities under agency business) and asset management.

- (5) Huatai Innovative Investment Co., Ltd. has registered capital of RMB500,000 thousand, which is owned as to 100.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai Innovative Investment Co., Ltd. were RMB880,774.2 thousand and RMB577,842.6 thousand, respectively. Its operating income, total profit and net profit for the year were RMB158,796.2 thousand, RMB84,920.7 thousand and RMB63,676.4 thousand, respectively.

Principal businesses: project investment, investment management, asset management, investment consulting, corporate management consulting, financial consulting, hotel management, goods import and export, technology import and export, sale of non-ferrous metals, precious metals and related products, metallic materials, metallic ores, non-metallic ores, construction materials, fuels, chemical products, rubber products, coals, glass, asphalt, agricultural and poultry products, fodder, edible oil, jewellery and handicrafts; purchase of gold products; purchase of silver products.

- (6) Huatai Futures Co., Ltd. has registered capital of RMB809,000 thousand, which is owned as to 60.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai Futures were RMB18,371,592.7 thousand and RMB1,232,182.7 thousand, respectively. Its operating income, total profit and net profit for the year were RMB2,639,570.5 thousand, RMB209,400.4 thousand and RMB164,377.4 thousand, respectively.

Principal businesses: commodities futures brokerage, financial futures brokerage, futures investment consultancy and asset management.

Management Discussion and Analysis and Report of the Board

- (7) Jiangsu Equity Exchange Co., Ltd. has registered capital of RMB200,000 thousand, which is owned as to 52.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Jiangsu Equity Exchange were RMB237,134.7 thousand and RMB225,365.7 thousand, respectively. Its operating income, total profit and net profit for the year were RMB52,762.1 thousand, RMB28,636.2 thousand and RMB22,138 thousand, respectively.

Principal businesses: provision of premises, facilities and services for approved listing, registration, custody, trading, financing, settlement, transfer, bonus distribution and pledge of equity interests, bonds, assets and related financial products and derivatives of unlisted companies, organization and monitoring of trading activities, issue of market information, trading of listed products as an agent, and provision of consultation services for market participants.

- (8) China Southern Asset Management Co., Ltd. has registered capital of RMB300,000 thousand, which is owned as to 45.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of China Southern Asset Management were RMB5,391,751 thousand and RMB3,755,604.6 thousand, respectively. Its operating income, total profit and net profit for the year were RMB2,998,545.4 thousand, RMB1,092,877.3 thousand and RMB831,155.8 thousand, respectively.

Principal businesses: fund raising, fund trading, asset management and other businesses approved by CSRC.

- (9) Huatai-PineBridge Fund Management Co., Ltd. has registered capital of RMB200,000 thousand, which is owned as to 49.00% by Huatai Securities. As of December 31, 2015, the total assets and net assets of Huatai-PineBridge were RMB973,664.8 thousand and RMB690,818.7 thousand, respectively. Its operating income, total profit and net profit for the year were RMB648,258.1 thousand, RMB218,181.8 thousand and RMB164,310.4 thousand, respectively.

Principal businesses: fund management, promotion and establishment of funds, other businesses approved by CSRC (businesses that need permits shall be carried out with permits).

Management Discussion and Analysis and Report of the Board

(VII) Structured entities controlled by the Company

1. Consolidated structured entities

Structured entities consolidated by the Group stand for the asset management schemes where the Group acts as the manager or investment consultant and also as an investor. The Group comprehensively assesses whether the returns of the investments it holds and its remuneration as the manager or investment consultant of the asset management schemes will make the Group exposed to variable returns to a great extent, and judges based on the above assessment whether the Group is the principal for the asset management schemes. As at December 31, 2015, the Group had 36 consolidated structured entities in total, and the total assets of the consolidated asset management schemes amounted to RMB93,767,004 thousand. The interests held by the Group in the above consolidated asset management schemes reflected under the financial assets available-for-sale and the financial assets at fair value through profit or loss in the balance sheet amounted to RMB5,816,381 thousand in total.

2. Structured entities sponsored by third party institutions

The structured entities sponsored by third party institutions which the Group does not consolidate into combined financial statements but holds an interest thereof through direct investments mainly include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to manage assets on behalf of investors and earn management fees. These entities are financed through the issue of investment products to investors. As at December 31, 2015, the carrying amount of the above investments in the consolidated balance sheet was equal to the maximum exposure of RMB81,063,807 thousand to which the Group may be exposed due to the interests held by the Group in the unconsolidated structured entities sponsored by third party institutions.

3. Structured entities excluded in the consolidated financial statements

As the general partner or manager of the structured entities, the Group's exposure to the variable returns was not significant during the Reporting Period due to its management right over asset management schemes, the Group therefore did not consolidate these structured entities. As at December 31, 2015, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB551,860,637 thousand.

Management Discussion and Analysis and Report of the Board

(IX) Other information

1. Establishment and disposition of subsidiaries by the Company during the Reporting Period

(1) Establishment of subsidiaries by the Company during the Reporting Period

During the Reporting Period, the Company established 38 new subsidiaries, the details of which are as follows:

Name of subsidiary	Principal place of business	Place of registration	Business nature	Subscribed amount of business registration	Shareholding percentage (%)
Shenzhen Qianhai Ruilian No. 1 Investment (Limited Partnership) (深圳前海瑞聯一號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB200,000,000.00	100.00
Shenzhen Qianhai Ruilian No. 2 Investment (Limited Partnership) (深圳前海瑞聯二號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB200,000,000.00	100.00
Shenzhen Qianhai Ruilian No. 3 Investment (Limited Partnership) (深圳前海瑞聯三號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB200,000,000.00	100.00
Shenzhen Qianhai Ruilian No. 4 Investment (Limited Partnership) (深圳前海瑞聯四號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB200,000,000.00	100.00
Shenzhen Qianhai Ruilian No. 6 Investment (Limited Partnership) (深圳前海瑞聯六號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB200,000,000.00	100.00
Shenzhen Qianhai Ruilian No. 7 Investment (Limited Partnership) (深圳前海瑞聯七號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB3,001,000,000.00	50.02
Shanghai Jingrui Investment (Limited Partnership) (上海京瑞投資(有限合夥))	Shanghai	Shanghai	Equity investment	RMB200,000,000.00	100.00
Beijing Ruilian Jingshen Investment (Limited Partnership) (北京瑞聯京深投資中心(有限合夥))	Beijing	Beijing	Equity investment	RMB200,000,000.00	100.00

Management Discussion and Analysis and Report of the Board

Name of subsidiary	Principal place of business	Place of registration	Business nature	Subscribed amount of business registration	Shareholding percentage (%)
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥))	Beijing	Beijing	Equity investment	RMB1,000,000,000.00	45.00
Shenzhen Huatai Ruilin No. 1 Equity Management (Limited Partnership) (深圳市華泰瑞麟一號股權投資基金合夥企業(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB220,010,000.00	25.00
Huatai Rising (Shanghai) Investment Co., Ltd. (華泰瑞新(上海)投資有限公司)	Shanghai	Shanghai	Investment management	RMB100,000,000.00	100.00
Beijing Huatai Tongxin Investment Fund Management Co., Ltd. (北京華泰同信投資基金管理有限公司)	Beijing	Beijing	Investment management	RMB3,000,000.00	51.00
Beijing Huatai Ruihe Investment Management Partnership Enterprise (Limited Partnership) (北京華泰瑞合投資管理合夥企業(有限合夥))	Beijing	Beijing	Investment management	RMB30,000,000.00	52.00
Nanjing Huatai Ruixin Equity Investment Management Co., Ltd. (南京華泰瑞鑫股權投資管理有限公司)	Nanjing	Nanjing	Investment management	RMB1,000,000.00	51.00
Nanjing Huatai Ruitai Equity Investment Management Centre (Limited Partnership) (南京華泰瑞泰股權投資管理中心(有限合夥))	Nanjing	Nanjing	Investment management	RMB1,000,000.00	52.00
Jiangsu Huatai Ruilian Fund Management Co., Ltd. (江蘇華泰瑞聯基金管理有限公司)	Nanjing	Nanjing	Investment management	RMB100,000,000.00	100.00
Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥))	Nanjing	Nanjing	Equity investment	RMB7,100,000,000.00	60.49
Nanjing Huatai Ruilian Merger and Acquisition Fund No. 1 (Limited Partnership) (南京華泰瑞聯併購基金一號(有限合夥))	Nanjing	Nanjing	Equity investment	RMB5,442,000,000.00	48.94

Management Discussion and Analysis and Report of the Board

Name of subsidiary	Principal place of business	Place of registration	Business nature	Subscribed amount of business registration	Shareholding percentage (%)
Nanjing Huatai Ruilian Equity Investment Fund Management Partnership Enterprise (Limited Partnership) (南京華泰瑞聯股權投資基金管理合夥企業(有限合夥))	Nanjing	Nanjing	Investment management	RMB71,000,000.00	98.59
Nanjing Ruilian No. 1 Investment Centre (Limited Partnership) (南京瑞聯一號投資中心(有限合夥))	Nanjing	Nanjing	Equity investment	RMB200,000,000.00	61.54
Nanjing Ruilian No. 2 Investment Centre (Limited Partnership) (南京瑞聯二號投資中心(有限合夥))	Nanjing	Nanjing	Equity investment	RMB200,000,000.00	100.00
Nanjing Ruilian No. 3 Investment Centre (Limited Partnership) (南京瑞聯三號投資中心(有限合夥))	Nanjing	Nanjing	Equity investment	RMB200,000,000.00	100.00
Shanghai Yingyi Investment Centre (Limited Partnership) (上海瀛翊投資中心(有限合夥))	Shanghai	Shanghai	Equity investment	RMB200,000,000.00	100.00
Shanghai Ruidan Investment Centre (Limited Partnership) (上海瑞澹投資中心(有限合夥))	Shanghai	Shanghai	Equity investment	RMB1,000,000,000.00	100.00
Shanghai Yingyi Investment Co., Ltd. (上海瀛翊投資有限公司)	Shanghai	British Virgin Islands	Equity investment	—	100.00
Tiandiren Holding Co., Ltd. (天地人控股有限公司)	Shanghai	British Virgin Islands	Equity investment	—	100.00
Tiandiren Groups Co., Ltd. (天地人集團有限公司)	Shanghai	British Virgin Islands	Equity investment	—	100.00
HTSC LIMITED	Hong Kong	Hong Kong	Investment holding	HKD1.00	100.00
Principle Solution Group Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Lucid Elegant Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Pioneer Reward Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Pioneer Reward Investment Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00

Management Discussion and Analysis and Report of the Board

Name of subsidiary	Principal place of business	Place of registration	Business nature	Subscribed amount of business registration	Shareholding percentage (%)
Pioneer Return Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Pioneer Return Holdings Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Pioneer Festive Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Huatai Principal Investment I limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Lead Talent Enterprises Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00
Huatai Principle Investment Group Limited	Hong Kong	British Virgin Islands	Investment holding	USD1.00	100.00

(2) Capital increase in subsidiaries by the Company and equity of controlled subsidiaries transferred to the Company during the Reporting Period

① Capital increase in Huatai Zijin Investment Co., Ltd. by the Company

To adapt to the competition in the equity investment industry, further enlarge and strengthen the Company's direct investment business, and enhance the competitive strength of Huatai Zijin Investment in the industry, during the Reporting Period, the Company contributed RMB500 million to increase the registered capital of Huatai Zijin Investment from RMB600 million to RMB1,100 million, and completed the business registration for such change. Meanwhile, on June 15, 2015, the 22th meeting of the 3rd session of the Board of the Company agreed to increase the capital of Huatai Zijin Investment based on the actual capital needs, and increased its registered capital from RMB1,100 million to RMB6,000 million, so as to enlarge the scale of the direct investment business, meet the subsequent capital needs of the funds already established and the new capital needs of funds proposed to be established in the future. The capital of RMB1,650 million was paid up during the Reporting Period.

Management Discussion and Analysis and Report of the Board

- ② **Capital increase in Huatai Securities (Shanghai) Asset Management Co., Ltd. by the Company**
To better implement the whole business chain development strategy of the Company, further enlarge the scale of asset management business, meet the subsequent capital needs for asset management business, improve the industry competitiveness in asset management business and ensure the continuous compliance of the various risk control indicators of Huatai Securities (Shanghai) Asset Management with regulatory requirements, during the Reporting Period, the Company increased Huatai Securities (Shanghai) Asset Management's registered capital from RMB300 million to RMB1,000 million. The capital of RMB700 million was paid up during the Reporting Period.
- ③ **Equity of Huatai United Securities Co., Ltd. transferred to the Company**
During the Reporting Period, Huatai United Securities Co., Ltd. changed its registered capital from RMB1,000,000,000 to RMB997,480,000 due to the invalid capital contribution of its nominal shareholder Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) and completed the business registration for such change. As a result, the shareholding percentage of each shareholder in Huatai United Securities changed accordingly. Meanwhile, during the Reporting Period, Great Wall Computer Group Co., Ltd. (長城計算機集團公司) transferred its equity interest in Huatai United Securities of RMB2,700,000 and Xiamen Jianchang Property Development Co., Ltd. (廈門建昌房地產開發有限公司) transferred its equity interest in Huatai United Securities of RMB6,210,000 to the Company respectively. As of the end of the Reporting Period, the Company held equity interest of RMB994,670,000 in Huatai United Securities, accounting for a proportion of 99.72%.
- ④ **Equity of GP Capital Co., Ltd. transferred to the Company**
On October 20, 2015, the 5th meeting of the general meeting of GP Capital Co., Ltd. for 2015 agreed Shanghai Yuanjian Investment Co., Ltd. (上海遠見投資有限公司) to transfer its 1% equity interest in GP Capital Co., Ltd. to the Company. The Company actively promoted the equity transfer work of GP Capital Co., Ltd.. During the Reporting Period, the consideration for the equity transfer of RMB1,200,000 was paid up.

(3) Disposal of subsidiaries by the Company during the Reporting Period

During the Reporting Period, the Company did not dispose of any its subsidiaries.

Management Discussion and Analysis and Report of the Board

2. Establishment and disposal of branches and securities branches by the Company during the Reporting Period

During the Reporting Period, the Company set up 6 new securities branches upon obtaining approvals, all of which had commenced operation, and de-registered 1 securities branch. As of the end of the Reporting Period, the Company had a total of 29 branches and 245 securities branches. Please refer to the list of our securities branches for details.

Number of branches relocated	Number of securities branches newly established	Number of securities branches relocated	Number of securities branches de-registered
1	6	14	1

(1) Relocation of branches during the Reporting Period

No.	Branch	Address	Date of change of license
1	Huatai Securities, Nanjing Branch	No. 90 Zhongshan East Road, Qinhuai District, Nanjing City, Jiangsu	September 22, 2015

Management Discussion and Analysis and Report of the Board

(2) Establishment of new securities branches during the Reporting Period

No.	Securities Branch	Address	Approval number	Approval date	Issue date of license
1	Securities Branch of Huatai Securities in Huandong Road, Huashi Town, Jiangyin	No. 680 Huandong Road, Huashi Town, Jiangyin City, Jiangsu Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	February 11, 2015
2	Securities Branch of Huatai Securities in Shenpu Road, Lingang New Town, Jiangyin	No. 108 Shenpu Road, Shenpu Road, Lingang New Town, Jiangyin City, Jiangsu Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	March 10, 2015
3	Securities Branch of Huatai Securities in West Avenue, Zhouzhuang Town, Jiangyin	No. 174 West Avenue, Zhouzhuang Town, Jiangyin City, Jiangsu Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	February 11, 2015
4	Securities Branch of Huatai Securities in Yingxiu Road, Qingyang Town, Jiangyin	No. 111 Yingxiu Road, Qingyang Town, Jiangyin City, Jiangsu Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	February 11, 2015
5	Securities Branch of Huatai Securities in Hongqiao North Road, Changjing Town, Jiangyin	No. 10 Hongqiao North Road, Changjing Town, Jiangyin City, Jiangsu Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	February 11, 2015
6	Securities Branch of Huatai Securities in Huai River Avenue, Tongling	Flat 1602, 1603, 16/F, Huijin Building, Tongling Commercial Town, Huai River Avenue, Tongling, Anhui Province	Su Zheng Jian Ji Gou Zi [2014] No. 369	August 13, 2014	February 11, 2015

Management Discussion and Analysis and Report of the Board

(3) Relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address	Issue date of license
1	Securities Branch of Huatai Securities in Shanda South Road, Jinan	Securities Branch of Huatai Securities in Qianfoshan Road, Jinan	2/F, Block 2, No. 7 Qianfoshan Road, Lixia District, Jinan	January 20, 2015
2	Securities Branch of Huatai Securities in Changping East Road, Shantou	Securities Branch of Huatai Securities in Zhujiang Road, Shantou	Room 09, 11 and 13, Flat 1001, Block A, Xingyuan Mansion, Zhujiang Road South, Longhu District, Shantou, Guangdong Province	January 16, 2015
3	Securities Branch of Huatai Securities in Fanhua Road, Panyu, Guangzhou	Securities Branch of Huatai Securities in Donghuan Road, Panyu, Guangzhou	Shop 205, 206, 210 and 211, No. 449 and 451 Donghuan Road, Shiqiao Street, Panyu District, Guangzhou, Guangdong Province	March 9, 2015
4	Securities Branch of Huatai Securities in Banmenkou, Liuhe, Nanjing	Securities Branch of Huatai Securities in Tonghua Road, Liuhe, Nanjing	Room 18-4, Block 18, No. 9 Tonghua Road, Xiongzhou Street Committee, Liuhe District, Nanjing, Jiangsu Province	March 20, 2015
5	Securities Branch of Huatai Securities in Dongfanghong East Road, Jiangdu, Yangzhou	Securities Branch of Huatai Securities in Longcheng Road, Jiangdu, Yangzhou	Room 22, Block 6, Longcheng Court, Yin Jiang Community, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu Province	March 20, 2015
6	Securities Branch of Huatai Securities in Bingang Road, Zhoushan	Securities Branch of Huatai Securities in Jiefang East Road, Zhoushan	Room 802 and 803, No. 118 Jiefang East Road, Dinghai District, Zhoushan, Zhejiang Province	August 25, 2015
7	Securities Branch of Huatai Securities in Wenhua Avenue, Xinjian County, Nanchang	Securities Branch of Huatai Securities in Wenhua Avenue, Xinjian County, Nanchang	Room A1, Block 1, Hong Gu Feng Shang, No. 1290 Wenhua Avenue, Changleng Town, Xinjian County, Nanchang, Jiangxi Province	September 7, 2015
8	Securities Branch of Huatai Securities in Xima Road, Wuhan	Securities Branch of Huatai Securities in Xinhua Road, Wuhan	No. 296 Xinhua Road, Jianghan District, Wuhan, Hubei Province	September 14, 2015
9	Securities Branch of Huatai Securities in Zhongshan North Road, Nanjing	Securities Branch of Huatai Securities in Zhongshan North Road, Nanjing	1/F and 5/F, Zhongshan Junjing Building, No. 333 Zhongshan North Road, Gulou District, Nanjing, Jiangsu Province	August 15, 2015

Management Discussion and Analysis and Report of the Board

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address	Issue date of license
10	Securities Branch of Huatai Securities in Danjin Road, Danyang, Zhenjiang	Securities Branch of Huatai Securities in Dongfang Road, Danyang, Zhenjiang	No. 25 Dongfang Road, Development Zone, Danyang, Jiangsu Province	September 22, 2015
11	Securities Branch of Huatai Securities in Xincun Road, Shanghai	Securities Branch of Huatai Securities in Miaoqing Road, Pudong New Area, Shanghai	1-3/F, No. 642 Miaoqing Road, Pudong New Area, Shanghai	September 23, 2015
12	Securities Branch of Huatai Securities in Boxing Road, Pudong New Area, Shanghai	Securities Branch of Huatai Securities in Wangyuan South Road, Fengxian District, Shanghai	Room 102, Flat 2, Block 2, Lane 1529, Wangyuan South Road, Fengxian District, Shanghai	September 23, 2015
13	Securities Branch of Huatai Securities in Yuanjing Road, Guangzhou	Securities Branch of Huatai Securities in Yuncheng West Road, Guangzhou	Room 4002, 4003 and 4004, No. 888 Yuncheng West Road, Baiyun District, Guangzhou	November 17, 2015
14	Securities Branch of Huatai Securities in Guangzhou Road, Nanjing	Securities Branch of Huatai Securities in Guangzhou Road, Nanjing	11/F, No. 189 Guangzhou Road, Nanjing, Jiangsu Province	November 16, 2015

(4) De-registration of securities branches during the Reporting Period

No.	Securities Branch	Address	Approval number	Approval date	Issue date of verification letter	Verification letter
1	Securities Branch in Dongma Road, Tianjin	Basement Level 2, No. 66 & 68 Dongma Road, Nankai District, Tianjin	Jin Zheng Jian Xu Ke Zi [2014] No. 53	August 27, 2014	February 3, 2015	Jin Zheng Jian Ji Gou Zi [2015] No. 6

Management Discussion and Analysis and Report of the Board

3. Explanation on compliance of ineligible accounts, judicially frozen accounts, risk disposal accounts and pure capital accounts

As of December 31, 2015, the Company had 4,548 ineligible securities accounts, 63 judicially frozen securities accounts, 89,496 risk disposal securities accounts and 663,846 pure capital accounts.

The following quality criteria have been met in the compliance management of various accounts by the Company: (1) all accounts involved in the securities transactions are eligible accounts, except for dormant securities accounts, remaining ineligible securities accounts, judicially frozen accounts and risk disposal accounts which are restricted in use; (2) consistency of key information of customers including name and ID number is ensured through regular comparison of capital account information and securities account information so as to avoid opening of any illegible account. The Company has made elaboration on any inconsistencies of key information of customers caused by discrepancy of information registration rules between depository banks and registration companies or disposal methods of Chinese characters rarely used.

Long-term account regulation and management measures: strengthen daily management of accounts, set strict requirements on opening accounts, strengthen verification of identities of investors, continue to implement and make innovations in account management measures and continue to improve the long-term account regulation and management mechanism. The Company further improved customer files management system, strengthened management of files of customers opening accounts on the internet and made continuous efforts in the management of paper files and electronic files.

III. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(I) Competition landscape and development trend of the industry

At present, China's economy is undergoing a critical period of structural adjustment, transformation and upgrading as well as comprehensively deepening reform. During this period, a solid foundation and broad space for the reform and development of the capital market is laid as a result of the "new normal" of economic development, therefore, the capital market will play an increasingly important role in the whole economy and will become a major force in driving national economy growth and structural adjustment. In the next few years, as the financial market-oriented reform and deregulations in the capital market further deepen, the multi-layer capital market system and the policy and regulation system are strengthened and consummated, and the functions of financial infrastructure are gradually improved, China's securities industry will usher a new historical stage of rapid development.

Management Discussion and Analysis and Report of the Board

In the new historical period, with the elastic improvement of securities firms' performance in traditional businesses, and acceleration of the achievement of returns from innovative businesses, the securities industry will see intensified competition in various businesses during its development. Securities firms will have to undergo all-round reforms on their business models as a result of the innovations of regulatory authorities in various systems of the capital market and securities firms' aggressive efforts to propel innovation in their own businesses. With the gradual perfection of the five basic functions of securities firms, and the continuously expanded business scope and continuously diversified product varieties of securities firms, the business development is taking on a pattern of comprehensive development. At the same time, driven by the cross-licensing of operating institutions for securities, funds and futures as well as the propelled study on the application for securities business licenses by qualified financial institutions, competition arising from mixed operations between securities firms and various financial institutions is becoming increasingly fierce, with cross-industry competition in the financial sector increasingly intensified. With the continuously propelled construction of the multi-layer capital market, and the reform, innovation and development of the securities industry, the business scope and space of securities firms will continue expanding and their businesses will take on the development pattern of diversification. At the same time, higher marketization of the industry and increasingly intensified competition will force securities firms to shift from the homogeneous competition to differentiated competition. As a result, securities firms will conduct dislocation competition and differentiated operation by leveraging more on capital, brand, customer base and market positioning. Under deregulation and the regulatory guidelines of strengthening supervision and encouraging innovation, the financing channels for securities firms are further broadened, the scale of the securities industry is further expanded and the transformation of business structure is continuously propelled. As more securities firms carry out all-round financing activities through diversified channels, securities firms' leverage will be further lifted, and their asset scale and capital strength will be significantly expanded. Scale operation will become an important feature and the core theme for future development of the securities industry. Currently, the securities industry is undergoing an evolution stage shifting from decentralized operation and low-level competition to centralization. Along with the lower entry barriers for the securities industry and the implementation of business license management, the overall competition landscape of the securities industry will further decentralize, and in the meanwhile, fierce market competition may give rise to industry merger and integration. Also, it will gradually become an industry trend to achieve epitaxial expansion and development through mergers, acquisitions and other ways, the reshuffle of the industry will be further accelerated and market concentration will be further escalated. With optimization and improvement of the Shanghai-Hong Kong Stock Connect, starting of the Mutual Fund Connect, research and propulsion of the Shenzhen-Hong Kong Stock Connect and the Shanghai-London Stock Connect as well as the improvement of the systems for QFII, RQFII, QDII, the internationalization of the capital market and the securities industry is accelerated. At the same time, securities firms speed up their overseas expansion pace, more securities firms expand market size by way of listing in Hong Kong and mergers or acquisitions, and put more efforts on the development of international business. In the background of Renminbi internationalization and deregulation on capital accounts, the international development of securities firms is expanded more rapidly in both breadth and depth. As regulatory authorities encourage securities firms to put more efforts in developing internet securities business and smoothly propel the integration of internet and finance, accompanied by gradually clear top-level design supporting the steady development of Internet finance and policies and measures including business rules, the layout of securities firms' internet

Management Discussion and Analysis and Report of the Board

securities business will continue to be deepened, the internet strategy will be further advanced, the internet finance sector will be further expanded, and internet finance may accelerate the restructuring of the existing business model of the securities industry. In addition, as regulatory authorities improve and consummate the supporting laws and regulations and other systems for the securities industry, infrastructure of the capital market will be constantly optimized, the degree of standardization of the market will be further improved, and the legal and regulatory environment will keep improving, as a result of which, accompanied by the continuous perfection of comprehensive risk management system and further enhancement of compliance risk control level of securities firms, securities firms will present the development pattern of standardization and legalization, and compliance management and risk control will forever be two important themes in the whole process of securities firms' business development.

Looking forward into the future, adjustment, transformation and upgrading of the economic structure are the main focus and key aspects of the overall development of the country. Along with optimization and development of multi-layer capital market system, continuous propulsion of the comprehensive reform program of top-level design, such as registration system reform, regulatory restructuring and reform of state-owned enterprises, the capital market will enter into a new stage of development, the securities industry will benefit from financial reform bonus and system reform bonus. As a result, securities firms will usher a new round of development opportunities by leveraging economic restructuring and industrial upgrading, expansion of capital markets, securities business and products.

In the securities brokerage sector, thanks to the liberalization of branch management of securities firms, development of off-site account opening business, continuous promotion of Internet securities and release of "multiple accounts for an individual" policy, the marketization degree of business significantly accelerated, commission rates for securities firms further declined, and proportion of brokerage business income in total income may decline. In the finance sector, such as margin financing and securities lending, with the further improvement of regulatory rules related to margin financing and securities lending, enhancement of building of the counter-cyclical regulatory mechanism, and clean-up and rectification of illegal stock financing, the risk management for margin financing and securities lending business will continue to be strengthened, and total business amount and structure will continue to be adjusted and optimized. In the investment banking field, along with continuous improvement of IPO system and substantive promotion of the registration system reform, constant optimization of supporting systems of the bond markets and the market infrastructure construction, adjustment and improvement of M&A and restructuring regulatory system and continual propulsion of national strategies, for example, the mixed ownership reform, the investment banking business of securities firms will benefit from the overall market expansion trend and improve the result certainty. In the asset management business sector, along with gradual liberalization of asset management business license and the substantial lowering of industry admittance threshold, the business scope continues to expand, as a result, the asset management business of securities firms will continue to enhance in both breadth and depth, and cooperation with other financial institutions will continue to deepen. By capturing the important opportunity brought by institutional innovation and deregulation, the asset management business of securities firms will continue to grow in terms of size and income. In the field of securities investment business, along with the introduction of the SSE

Management Discussion and Analysis and Report of the Board

50 and CSI 500 stock index futures and SSE 50 options contracts, further liberalization of the investment scope of the proprietary trading business, steady development and timely launch of futures and derivatives contracts, the investment trading strategy and risk management tools will be further enriched, meeting the investors' diversified product design and asset allocation demands and broadening the development space for securities brokerage. In other business areas, along with the orderly propulsion of the market stratification, auction trading system, expansion of market makers, and improvement of board transfer system and other systems, the market-based system is increasingly improved, and New Third Board (an over-the-counter market for growth enterprises) will continue to maintain its explosive growth; along with the implementation of post record-keeping system and the negative list management, issuance efficiency of asset securitization business increasingly improves, issuance cost constantly reduces, and business development space continues to be expanded, so the asset securitization business is expected to become an important profit growth point for securities firms; along with the standardization for the clear-up of illegal stock financing and the expansion of private equity funds, The prime broker business will be further expanded and it is expected to achieve a new profit growth point for the securities firms in the future; with the establishment and improvement of business rule system and basic framework of stock options, the stock option business will further expand the business range of securities firms and broaden their revenue channels; along with the approval of OTC business, alternative investment, Internet securities business, Shanghai-Hong Kong Stock Connect and derivatives business, securities firms with the permission for performing business trials are expected to benefit from such initiatives and further expand their income source.

(II) The Company's development strategy

1. The Company's future opportunities and challenges

The year 2016 is an opening year for implementing the "13th Five-Year Plan" and also a key year for promoting structural reforms as well as for further deepening and advancing reform and innovation of China's economy and capital market. Reform of China's capital market and securities industry development have huge potentialities, as they will be pushed forward by (i) the goals and directions presented at the 18th National Congress of the Communist Party of China, such as deepening financial reform, promoting financial innovation, enhancing the competitiveness of securities industry; (ii) propulsion of stock and bond trading system reform, and active cultivation of a transparent, healthy and developmental capital market as proposed by the "13th Five-Year Plan"; (iii) acceleration in forming a stock market with complete financing functions, solid basic systems, effective market supervision and full protection of investors' legitimate rights and interests according to the Central Economic Working Conference; and (iv) continuous implementation of government-related industrial policy layout and proactive fiscal policies and prudent monetary policies under the essential requirements of boosting reform, perfecting systems, strengthening supervision, preventing risks, and facilitating long-term stable and healthy development of the capital market by National Work Conference on Securities and Futures Supervision as well as gradual release of reform bonus and system bonus. However, the world economy is still in its in-depth adjustment period after the international financial crisis, economic recovery is full of difficulties and reverses, the international financial market fluctuates heavily, the domestic economy has an inherent tendency to slow down and the economy faces challenges and downward pressure during the transformation of economic driving forces. At present and for a period in the future, China's capital market and the securities industry will enter into a stage of accelerating the development and innovation, therefore the Company will face a series of new opportunities and challenges.

Management Discussion and Analysis and Report of the Board

The Company's current and future development opportunities mainly include: at present, China's economic development is still in an important period of strategic opportunities, in the macroeconomic development logic background of understanding, adapting to and leading the new normal, economy runs stable in general, market funds are sufficient, reform of state-owned enterprises is deepened, and stock market risk has been released to a considerable degree. The capital market, as a platform for marketization resource allocation, will become the new engine for China's economic transformation and upgrading and will usher rare development opportunities by effectively helping both supply side and demand side. With the new vista of reform and development for China's capital market being drawn, continuous advancement and deepening of marketization direction and reform, together in the background of accelerating the transformation and deepening reform, development space of securities industry is fully opened. As a result, securities firms will usher a new round of development opportunities regarding capital market expansion, securities business and products enrichment, and economic restructuring and industrial upgrading. Business space of securities firms will be further enlarged, thanks to the continuous improvement of multi-level capital market systems, especially the improvements in stock issuance registration system reform, interconnection in the bond market and variety innovation, market-oriented reform of mergers and acquisitions and rules system for the New Third Board, normative development for the regional equity markets, development of OTC market business, and the establishment of board transfer system, delisting system and stable propulsion by organic convergence among multi-layer markets and so on. With the development and quick promotion of Internet finance of securities firms and business model exploration, financial service quality and efficiency of securities firms will be improved, financial transaction costs are expected to reduce, operation mode of Internet finance thinking will bring a new round of revolution for business model of securities firms. Meanwhile, the furthering of two-way opening in the capital markets, especially the optimization of the QFII and the QDII systems, perfection of Shanghai-Hong Kong Stock Connect, propulsion of the study on Shenzhen-Hong Kong Stock Connect and Shanghai-London Stock Connect, establishment of overseas business platform and so on, will open a broad space of imagination for the development prospects of securities firms. Successful Hong Kong IPO of the Company will further promote the development of the Company's overseas business and broaden the space of business development for the Company.

The Company also faces many challenges in its development at present and in the future: facing the reform and new development trend in the securities industry, how to adjust and optimize its business structure to achieve synergetic development between innovation business and traditional business and to promote the development model combining endogenous growth and extended development, is the issue that the Company needs to actively explore and solve. How to mine customer value from multi-dimensional aspects, meet customer's demand for comprehensive financial services, and create a new business model to drive the Company to achieve a new round of great-leap-forward development by focusing on the changes in customer structure and customer demand, is a question of reality in front of the Company. How to construct and enhance the compliance management and risk management system of the Company characteristics, improve compliance operation and risk management abilities, establish a compliance management mode integrating initiatives and benefits, and facilitate the optimum balance

Management Discussion and Analysis and Report of the Board

between corporate earnings, risk capital and economic capital, are the main development directions the Company stresses. How to scientifically and prudently identify business scale, grasp business development rhythm and speed according to the Company's net capital level, customer profile and risk management ability, as well as reasonably improve operating leverage and lift capital operation and management level at the same time, are the major topics that the Company needs to actively study. How to continue to optimize the human resources performance evaluation and salary management system, advance talent mining and training, actively introduce high-end talents with international visions and improve personnel qualities and abilities, are the major topics the Company faces in our development. How to explore and advance account construction, platform creation and product integration, promote the transformation and upgrading of traditional business while promoting Internet-based business and applying big data, cloud computing and other technologies as well as achieve the secondary development of customer value by deep plowing and arranging Internet securities business will be the important features for the future development of the securities industry. With the completion of the Company's A+H share layout, the Company also needs to address new situation and new problems, that is, how to quickly build a perfect system of overseas business by leveraging Hong Kong as its platform, strengthen domestic and foreign business linkage, expand our customer base and offer all-round service to meet customers' demands.

2. The Company's development strategy

The Company held the twenty-first meeting of the second session of the board of directors on August 16, 2013. The meeting considered and approved the Resolution on the Formulation of the Company's Development Strategic Planning (2014–2018), which defined the Company's strategic objectives of development during 2014 to 2018: on the basis of consolidating and improving our market position as the domestic first-class securities company, the Company will strive to develop into an influential comprehensive financial holding group integrating securities, funds, futures, banking and overseas businesses as a whole, and lay a solid foundation for becoming a systemically important financial institution in the future. The Company would strive to rank and maintain in top five in the industry in 2018 in terms of asset scale, capital scale, market value, profitability, and scale of main businesses and important innovative businesses.

During the Reporting Period, the Company held the second meeting of the Development Strategy Committee of the third session of the Board on December 30, 2015. The meeting considered and approved the "Resolution on Formulating the Strategic Development Planning Proposal of Huatai Securities during the '13th Five-Year' Period". According to the planning proposal, the Company will, based on securities business advantages, actively expand comprehensive operation and strive to be a first-class comprehensive financial group and systemically important financial institution having both local strengths and global visions during the "13th Five-Year" period. In securities business sector, the Company will, based on the domestic market, actively expand the overseas market and strive to build itself as a universal modern investment bank integrating investment and financing services, wealth management, asset management, risk management and market organization as a whole and equipped with five sound functions of investment, financing, trading, custody and payment.

Management Discussion and Analysis and Report of the Board

3. New businesses the Company intends to carry out

In 2016, the Company intends to launch the following innovative businesses or products, mainly including: stock option brokerage; Hong Kong Stock Connect; pilot consumption payment services of customers' capital; counter market services; self-initiated financing of listed companies via equity incentive; restricted stock financing of listed companies; private placement financing of listed companies; proprietary trading of ordinary options; specialized option trading; market making of stock options; cross-border option trading; OTC derivatives; market making of the NEEQ; interbank trial market making; cross-border IRS arbitrage; underwriting of exchangeable corporate bonds, preferred stock, perpetual medium term note, private debt and other debts; privatization and return of shares in Chinese firms listed overseas; cross-border mergers and acquisitions; direct investment fund; fast enchashment; asset securitization; entrusted management of insurance capital; custody of securities investment funds; integrated custody of private equity funds; outsourcing of private equity fund; spot commodity contract agent of precious metals and proprietary gold spot contracts; settlement and surrendering of exchange; inter-bank lending of foreign exchange; gold leasing; gold inquiry; futures asset management and risk management subsidiaries.

With respect to the securities brokerage business, the Company will establish and improve the propulsion mechanism for new businesses and new products so as to promote the business model transformation, adjustment and reform in various aspects, accelerate the transformation of securities brokerage business, and constantly improve the ability to transform customer value through product innovation and business collaboration. With respect to the investment banking business, the Company will continue to improve the customer-oriented major investment banking service systems, actively promote the development of innovative businesses and products, strive to expand business varieties and coverage, and further optimize business structure so as to meet customer demand for diversified financial services. With respect to the asset management business, the Company will continue to strengthen the innovation in business forms and business means, strive to build an innovative platform for asset management business, further enhance the active management capability in asset management business so as to provide customers with more abundant products and more comprehensive services. With respect to the securities investment business, the Company will improve the framework of the investment research platform, build an integrated system of investment research, increase the learning and application of advanced financial tools and techniques, strengthen incubation and hatching of new businesses, and promote the coordinated synergic development of counter investment business and OTC innovative business so as to perfect our service systems to increase the sources of income.

Management Discussion and Analysis and Report of the Board

(III) Operating plan

Year 2016 is a key year for the reform of the capital market, during which a series of fundamental reform measures will be steadily introduced, such as the Shenzhen-Hong Kong Stock Connect and the stratification of the NEEQ. The introduction of such measures will completely change the operational mechanism of the capital market, or will trigger a new round of industry reform and market structure change. By capturing the opportunities brought by market adjustment and regulatory transformation, the Company will, by leveraging on counter-cyclical thinking and putting more efforts on organic growth, strive to build its core competitive strengths so as to actively seize the strategic commanding height in the new era of competition. In 2016, the general requirements of the Company's management work are: quickly adapt to the profound changes in the capital market and the regulatory environment, firmly grasp the strategic opportunity period and the reform period for the Company's development, unswervingly implement the whole business chain development strategy, continue to deepen and promote the further resource integration of the Group, vigorously promote in-depth reform, restructuring and development of various business operation modes, strictly strengthen internal management, accelerate to improve customer-oriented professional service system, build differentiated and core abilities ahead of those in the market and with distinctive differences, and consolidate the Company's new advantages for future development. According to general requirements on the Company's management work mentioned above, the Company has established its annual operating plan as follows:

1. Further increase its efforts in reform and development and accelerate to promote transformation of brokerage and wealth management business

The Company will unswervingly continue expanding its customer base and customer asset scale, and keep consolidating and promoting its competitive advantages in the market on the basis of ensuring to maintain its top position in respect of the securities brokerage business in the industry. At the same time, the Company will also actively graft whole business chain resources of the Group, accelerate to build a consolidated financial wealth management system with quality customers as its core, continue enhancing professional services capabilities having with differentiated competitive advantages in order to achieve transformation and upgrading of the business development mode. The specific work mainly includes: adhere to the internet development strategy, continue to enlarge customer base and customer asset scale, vigorously promote the function transformation of business outlets, continue optimizing customer structure; keep strengthening business and management innovation, put sustained efforts to promote the stable development of the credit business; actively focus on the high net worth clients' demand and keep improving the wealth management system.

Management Discussion and Analysis and Report of the Board

2. Quickly adapt to the profound changes brought by the promotion of the new share issue system and build a major investment banking system with differentiated pricing abilities.

The Company will, by insisting on the ideas and vision of the industrial integration and by continuing focusing on adjustment of the industrial structure, the reform of state-owned enterprises and other key industries and areas, build its expertise and competitiveness, establish market leadership and reputation, and actively open up the primary and secondary markets, counter and OTC markets, domestic and overseas markets and so on in order to further deepen business cooperation and meet customers' demands for full-range financial services. The specific work mainly includes: vigorously promote comprehensive restructuring of investment banking business by maintaining risk pricing capability as the core; significantly increase the underwriting capacity of fixed income business by seizing the opportunity of the great development in the bond market; build the core competitiveness in the OTC market business by deepening collaboration of the whole business chain system; and cultivate the core strengths in "investment + investment banking" core strengths by building an integrated unified large major and direct investment system platform of the Group, and so on.

3. Continue improving investment management capabilities to meet customers' diversified investment and financing needs and build a major asset management system which can realize customer value

The Company will constantly improve systematized investment management ability and product creation ability by playing both the roles of asset manager and asset supplier, and will strive to support the construction of the Group's wealth management system from the following four directions: liquidity support, quality underlying assets, internet finance, and internationalized asset allocation. The Company will also continue raising the asset management scale and the income scale substantially so as to build itself as a first-class asset management institution in China. The specific work mainly includes: comprehensively enhance the initiative active management capabilities, make efforts to achieve a new breakthrough in the AUM, and focus on creating new business growth points by pioneering product innovation and so on.

4. Actively respond to market challenges from all aspects and insist in continuously improving the investment and trading abilities through scientific systems and strong platforms

By adhering to the important strategic direction of "direction removal", using scientific investment system and powerful platform to help make decisions, unswervingly holding the basic principle of "low risk, large scale and absolute return", the Company will increase learning and application of advanced financial tools and techniques, constantly improve its ability to judge value of the investment in the primary and secondary market and market making and grasp trading opportunities, so that the Company can better hedge and control risks, increase income by leverage and obtain excessive returns through financial innovation. The specific work mainly includes: to optimize equity investment system and investment strategies so as to effectively respond to regulatory and market environment changes; to adapt to new market changes and actively arrange lay out and build FICC business system and so on.

Management Discussion and Analysis and Report of the Board

5. **Strengthen business linkage by further penetrating industry and sectors and constantly cultivate the influence in research business and pricing power in the market**

The Company will, on the basis of meeting requirements of the barrier wall system and the compliance management system, actively dock investment banking business, drive the research business to quickly make a breakthrough in the key industries by relying on the Company's ability in the primary market, deeply explore and identify the value so as to provide high quality services to customers. At the same time, the Company will also actively forge the study culture with concentration and diligent, aiming to create market influence and pricing power through new ways and means. The specific work mainly includes: to concentrate on research on the industries and areas and to create research value by way of in-depth business linkage. Actively expand the research scope and deepen institutional customer services and so on.

6. **Strengthen domestic and international linkage and actively arrange to expand overseas business.**

The Company will actively take advantage of the Group's distribution network, customer base, research strength and other business resources, give full play to the advantages of Hong Kong as an international financial centre, and create higher value for customers by leveraging international visions and professional ability to strengthen both internal and external linkage. The specific work mainly includes: to strengthen cooperation with the Group's investment banking subsidiaries in terms of business in the primary market and deeply explore and accumulate project resources so as to establish a global service brand in the investment banking sector; to actively expand the geographical coverage of the research and sales business so as to deliver the investment value to customers by way of integrated domestic and international research support; for financial market trading business, to focus on building transaction capabilities and developing new businesses so as to strengthen the cross-selling capability; and promote the establishment of the wealth management platform so as to enhance the Group's cross-border asset allocation ability and so on.

(IV) **The Company's fund requirements for the purpose of maintaining current businesses and completing investment projects under construction**

As of the end of the Reporting Period, the Company was in the forefront of the industry in terms of total assets, net assets, net capital and other indicators. The Company will consider its forward-looking strategies with a view to maximizing shareholders' interests, closely grasp market opportunities, raise a variety of equity capital or debt capital by a variety of ways in appropriate time, optimize the Company's capital structure, continue to replenish capital strength, enlarge operating leverage by centering on the balance sheet, and ensure that the Company's capital strength match with its position in the industry.

Management Discussion and Analysis and Report of the Board

(V) Potential risks and risk prevention measures

In view of the characteristics of the Company and by following the principle of relevance and importance, the Company may face the following major risk factors which may adversely affect the Company's future development strategy and operational objectives and business operations: market risk, credit risk, liquidity risk, operational risk, compliance risk, information technology risks and so on. Specific analysis is as follows:

1. Market risk

During the Reporting Period, the Company mainly faced market risks from the following two aspects: one is the potential loss risk in the Company's daily operation due to changes in market factors, mainly representing the impact of the changes of the volume of market transactions, the market share for brokerage business, commission rates, scale of the asset management business and other factors on the Company's profitability; the other one is the potential loss risk in the Company's assets, proprietary positions or asset management products or combinations of the above due to changes in market prices such as share prices, interest rates and exchange rates, which mainly exists in the proprietary businesses and asset management businesses and other investment-related businesses of securities companies.

During the Reporting Period, the Company took a number of measures to prevent market risks. With respect to the investment in equity securities, the Company further strengthened macroeconomic research, made prudent investment in the market, rationally allocated asset scale, flexibly controlled the proportions of investment varieties and diversified investment to reduce risks; with respect to the investment in fixed income securities, the Company actively tracked national monetary policy trends, paid close attention to the trends of the market interest rate, strictly controlled bond investment duration and leverage rate, increased IRS hedge and effectively locked capital cost in order to reduce market risk; with respect to the quantitative investment, the Company actively strengthened research on innovative businesses and flexibly used the quantitative mode and financial derivatives to hedge systematic market risk.

2. Credit risk

During the Reporting Period, the Company mainly faced four types of credit risks, namely (i) the risks caused by default of the bond issuer or default of the counterparty in bond trading business; (ii) the risks of suffering from loss in respect of the financing bills and interests lent out due to customer's default in credit businesses such as margin financing and securities lending, stock repurchase and securities-backed lending; (iii) the risk of losing proprietary funds or customers' funds due to the financing party's default in credit innovative businesses; and (iv) the default risk in the financial assets under fixed income category and derivative financial assets other than bond investment, that is, the risk of assets suffering from loss due to the default by the counterparty.

Management Discussion and Analysis and Report of the Board

With respect to the credit risks in bond trading, during the Reporting Period, the Company focused on strengthening research on bond issuers and the bonds, improved the credit risk rating system, carried out investigation and study on bonds with substantial positions, and strictly controlled the quality of the bonds the Company invested in. The Company also evaluated the counterparty's credit status, and studied and improved counterparty pool so as to prevent the default risk caused by the counterparty. With respect to the margin financing and securities lending, stock repurchase, securities-backed lending business, the Company focused on strengthening the management on the appropriateness of customers, fully understood customers' credit level and risk bearing capacities by credit rating, determined customers' credit rating and credit lines in a comprehensive manner, and identified disposal measures for breach by business contracts and risk disclosure statements. The Company also further strengthened the monitoring on the performance guarantee ratio of financing billing and financial lending, and communicated and sent feedback to customers in the event of abnormalities so as to avoid losses caused by customer default. With respect to the innovative businesses in the credit category, business personnel strengthened the early due diligence and submitted a comprehensive project feasibility analysis report and a due diligence report. The projects can be implemented after such reports were reviewed by the Company. The Company's monetary fund other than cash is mainly maintained in financial institutions of good credit and they are not expected to cause loss to the Company due to the counterparty's default. The counterparties to the derivative trading with the Company were mainly domestic financial institutions of good credit and were restricted by the lines of credit.

3. Liquidity risk

The Company's liquidity risk mainly includes two aspects: (i) the liquidity risk of assets, which refers to the risks of losing proprietary investment and customer assets because assets cannot be timely realized or the realization cost is too high, mainly existent in the proprietary investment businesses and investment in asset management products; and (ii) the liquidity risk of debt, which refers to the risk of failing to pay debt or normal operating expenditures on time due to lack of cash by the Company, or the risk of the Company failing to cope with large-scale redemption by customers due to lack of liquidity fund for asset management products.

With respect to the proprietary business, during the Reporting Period, the Company paid close attention to the market changes, focused on evaluating the ability to encash proprietary positions, dynamically adjusted asset allocation, and reasonably controlled investment scale of various securities so as to avoid excessive concentration of investment and ensure the liquidity of the portfolio. With respect to the asset management business, the Company strengthened the analysis of customer redemption funds and, by holding back certain proportion of the cash asset, early warning for large-scale redemption and other measures, reasonably arranged the liquidity of various asset management plans. With respect to the capital management of the Company, the Company strengthened detection and measurement of daily liquidity gap and constantly optimized the Company's assets and liabilities structure. The Company also continuously improved the liquidity management platform, which greatly enhanced the efficiency and effectiveness of the liquidity risk management.

Management Discussion and Analysis and Report of the Board

4. Operational risks

The operational risks to which the Company is exposed mainly include the risk of suffering from losses resulted from inadequate or problematic internal processes, staff, systems and external events. The major types of losses include asset loss, external compensation, impairment of carrying amount, regulatory fines and confiscation and legal costs.

During the Reporting Period, in accordance with the regulatory requirements and by referring to the leading practice by domestic and foreign institutions, the Company improved the organizational structure, rules and regulations, management tools, and information systems in the operational risk field, consolidated system-based real-time control measures, optimized the emergency mechanism, and prevented or reduced the operational risks by adopting various measures: (i) increased the introduction of talents, established a professional operational risk management team, and developed a number of management norms related to the operational risks and internal control; (ii) sorted out the process optimization based on the hierarchical authorization, optimized the internal control methodology, and continuously improved the risk-oriented internal control management system covering the whole group; (iii) established and applied three major tools for operational risk management in the Company's system, carried out self assessment of risk and control, and reduce the residual risk by improving control measures; and established a data reporting system for operational risks to gather such loss data; and (iv) performed comprehensive analysis on the risk loss events, business environment and internal control factors, and the implementation of rectification measures, so as to comprehensively supervise and manage various operational risks the Company was exposed to. With respect to the innovative business, the risk management department participated in the whole process for evaluating the operational risks of the innovative business.

5. Compliance risks

Compliance risks refer to exposure to asset loss or reputation loss as a result of legal sanctions or regulatory measures imposed on securities companies due to violation of laws, rules and standards by operational management or professional conduct performed by securities companies or their employees.

During the Reporting Period, the Company continued improving compliance management system and strengthened management of the frontline compliance and risk control personnel. As of the end of the Reporting Period, the Company had completed the centralized risk control compliance work for 25 branches, so as to further improve the professionalism and effectiveness of grassroots compliance officers when performing their duties. The Company continued improving the business compliance management

Management Discussion and Analysis and Report of the Board

mechanism and, by ways of compliance assessment, process streamlining, instruction and steering, and nonvoting attendances at meetings, enhanced management, control and support of key businesses. The Company further improved the compliance training system, and enriched the forms of training, striving to convey the regulatory requirements and compliance awareness to all business personnel and procuring the business departments to make self regulation as soon as possible. The Company prudently carried out compliance review, timely pointed out compliance issues or defects and put forward suggestions for standardization so as to facilitate the operation of relevant businesses or products in compliance with regulations. The Company put more efforts on compliance inspection, especially special inspections, carried out several checks on the key areas based on problems and risks as guidance, timely gave rectification requirements with respect to identified problems, and tracked the implementation of the rectification. By adhering to the “risk-based” anti-money laundering work principle, the Company orderly carried out various key tasks for anti-money laundering, performed customer identification, customer risk classification and the Company’s duties regarding the reporting of large transactions and suspicious transactions. The Company enabled and upgraded the on-line compliance management system and the customer risk rating system for anti money laundering in order to improve the efficiency of compliance management.

6. Information technology risks

The Company’s businesses and middle office and back office management are highly dependent on the support from the information technology system. Information system has become the key facility to support the business operation of the Company. Information technology risks mainly refer to the risks of a securities company suffering from loss due to the failure of the information system to ensure the transactions and business management are carried out stably, efficiently and safely in the aspects of service fulfillment, response speed, processing ability and data encryption because of various technical failures or data leakage in the information system of the securities company.

During the Reporting Period, the Company continued increasing investment in information technology, gradually established a specialized information technology service management system targeted at various business lines, which further improved the information system construction and safety management level, ensured the safety, reliability and stability of the Company’s supporting systems for operation and management, and effectively prevented information technology risks.

Management Discussion and Analysis and Report of the Board

(VI) Establishment of the monitoring and complementary mechanism for the Company's dynamic risk control indexes

1. Establishment of the monitoring and complementary mechanism for the dynamic risk control indexes

The monitoring and complementary mechanism for dynamic risk control indexes is an important means of risk control performed by the company. In accordance with the Administrative Measures for the Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the China Securities Regulatory Commission, the Company formulated the Administrative Measures for the Risk Control Indexes of Huatai Securities Co., Ltd. (《华泰證券股份有限公司風險控制指標管理辦法》) and the Measures for the Maintenance and Management of the Dynamic Monitoring System of the Risk Control Indexes of Huatai Securities Co., Ltd. (《华泰證券股份有限公司風險控制指標動態監控系統維護管理辦法》) and other relevant systems and also timely amended such measures and systems based on business development and market changes, established the dynamic monitoring mechanism of risk control indexes, and arranged designated person to keep daily monitoring and timely report and deal with various abnormalities. At the same time, the Company established a net capital monitoring and evaluation system. With the monitoring standard and warning standard of dynamic risk control indexes stipulated by the CSRC, the Company added more strict corporate control standards as the monitoring thresholds and formed four levels of monitoring standards for risk control indexes. Where a risk control index meets a monitoring standard, a warning signal of four different colors will be displayed in real time. In this way, control measures for different warning levels were refined. The corresponding reporting path and response plan will be enabled according to different warning levels, so as to ensure that the risk control indexes for net capital and others can meet regulatory requirements.

The Company had established a complementary mechanism of dynamic risk control indexes. The Company's complementary pathways of risk control indexes for net capital and others include but not limited to external financing, compression of scale and varieties of investment of higher risks, increase of withdrawing the discretionary surplus reserve, reduction or suspension of profit distribution, issuance of subordinated bonds and debt-to-equity swap, and capital raising by increase in capital and share capital.

Management Discussion and Analysis and Report of the Board

2. Pre-warning standards for the triggering of risk control indexes, non-conformities, corrective measures adopted and rectification effect during the Reporting Period

The Company always adheres to the prudent operation philosophy and focuses on risk management so that the Company can maintain a good capital structure. In accordance with the requirements of the CSRC, the Company has calculated net capital from December 1, 2008 in accordance with the Administrative Measures for the Risk Control Indexes of Securities Companies (Order No. 55 of CSRC) (《證券公司風險控制指標管理辦法》(中國證監會令 第55號)). At the same time, in accordance with the Provisions on Adjusting the Basis of Calculation of the Net Capital of Securities Companies (2012 Revision) (《關於調整證券公司淨資本計算標準的規定(2012年修訂)》) (Announcement No. 37 [2012] of CSRC), the Decision on Amending the Provisions on the Calculation Standards for the Risk Capital Reserves of Securities Companies (《關於修改〈關於證券公司風險資本準備計算標準的規定〉的決定》) (Announcement No. 36 [2012] of CSRC), the Standards for Long-term Equity Investment (《長期股權投資準則》) newly promulgated by the Ministry of Finance in 2014 and the requirements stipulated by the department letters issued by the supervision department under the securities and fund agencies of the CSRC as well as other documents, the Company retroactively adjusted its net capital and risk control indexes. The net capital of the parent company was RMB52.362 billion on December 31, 2015, up by 165.42% as compared with the net capital of RMB19.728 billion on December 31, 2014. The net asset of the parent company was RMB74.445 billion and the net capital/net asset ratio was 70.34%.

During the Reporting Period, the Company carried out sensitivity analysis or stress tests for major issues such as capital increase in subsidiaries, acceptance of transferred equity in companies of which the Company held shares, issuance of debt financing instruments, cash bonus, upper limit of proprietary investment, scale of margin financing and securities lending business and securities-backed lending business, establishment of branches, engagement in new businesses and issuance of wealth management products, and only carried out the aforesaid matters as far as the analysis and test results met the regulatory requirements. During the Reporting Period, the Company maintained operating risk within its bearable scope, the Company's assets were of high quality, business operations were carried out in compliance with regulations, and the Company's main risk control indexes were in line with the regulatory requirements, with no circumstances violating the pre-warning standards or non-conformities.

IV. EXPLANATIONS ON THE COMPANY'S FAILURE TO MAKE DISCLOSURE IN ACCORDANCE WITH THE STANDARDS DUE TO INAPPLICABILITY OF STANDARDS OR SPECIAL REASONS AND THE REASONS THEREOF

During the Reporting Period, the Company did not fail to make disclosure in accordance with the standards due to inapplicability of standards or special reasons.

Management Discussion and Analysis and Report of the Board

V. OTHER DISCLOSURES

(I) Share capital

For the Company's share capital for the year ended December 31, 2015 and the changes therein, please refer to the section of "Changes in Ordinary Shares and Shareholders" on page 180 to page 194 of this report.

(II) Pre-emptive rights

According to the PRC laws and the Articles of Association, none of the shareholders of the Company has any pre-emptive rights.

(III) Sufficient public float

As at the date of this report, based on the information available to the public and as far as the directors are aware, the directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

(IV) Directors' interests in competing business

None of the directors has any interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

(V) Service contracts of directors and supervisors

According to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the directors and supervisors in respect of (among other matters) compliance of relevant laws and regulations as well as the Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors has entered into or is proposed to enter into any service contracts with the Company in their respective capacities as directors/supervisors (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

(VI) Directors' and supervisors' interests in material contracts

During the Reporting Period, the directors or supervisors of the Company did not have any material interests, whether directly or indirectly, in any material contract entered into by the Company or its subsidiaries.

(VII) Permitted indemnity provision — Liability insurance for directors, supervisors and senior management

As authorized in 2014 annual general meeting, the Company has taken out a liability insurance policy for directors, supervisors and senior management and other relevant competent persons. Appropriate insurance coverage has been arranged for directors, supervisors and senior management of the Company against potential legal actions and liabilities to reasonably avoid management and legal risks faced by directors, supervisors and senior management of the Company and to procure the full discharge of duties by the directors, supervisors and senior management.

Management Discussion and Analysis and Report of the Board

(VIII) Share option scheme

The Company does not have a share option scheme. In July 2015, facing the drastic fluctuations of the Company's share prices and in order to actively make contributions to the stabilization of the capital market, the executive directors, employee supervisors, senior management of the Company and part of its staff raised a total of approximately RMB230 million voluntarily. Such funds were later used to purchase a total of 16,250,000 H Shares of the Company through QDII collective wealth management schemes in accordance with the relevant laws and regulations. The average cost of such shares was HK\$17.6 per share. Please refer to the announcements dated July 16, 2015 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily as well as the website of Shanghai Stock Exchange (www.sse.com.cn).

(IX) Major customers and suppliers

The Company provides services to a wide range of institutions and individual clients across a spectrum of sectors. The Company's clients range from retail customers, wealthy clients, high-net-worth individuals, institutional clients and corporate clients. The clients are primarily located in China. The successful listing on the Hong Kong market and smooth implementation of its deployment strategies in the international market will facilitate the Company in carrying out overseas operations, exploring customer resources and expanding the room for the further development of the Company's businesses. In 2015, the revenue attributable to the five largest clients accounted for less than 30% of the total operating revenue of the Company.

The Company has no major supplier due to the nature of its business.

(X) Business review

For the business analysis made by using key financial indicators, please refer to the section of "Company Profile and Key Financial Indicators" on page 10 to page 48 of this report. For the relationship between the Company and its employees, please refer to the section of "Directors, Supervisors, Senior Management and Staff" on page 196 to page 228 of this report.

(XI) Environmental policies and performance of the Company

The Company actively advocates the idea of environmental protection, lays emphasis on the enhancement of its staff's awareness on environmental protection, and strives to provide its staff with safe and comfortable working environment.

The Company sticks on low-carbon operation and energy conservation to build itself into a conservation-minded enterprise. The Company continuously propels the implementation of paperless office and has introduced the "Cloud Desktop" office system. Besides, it has achieved multi-access teleconference on the mobile terminal on the basis of the original remote video conference system with a mind for conservation. The Company has enhanced the management on motor vehicles, and encourages its staff to take full advantage of public transportation on and off duty. It has used new technologies and materials for the construction and maintenance of the server room for energy conservation and emission reduction to the greatest extent.

Management Discussion and Analysis and Report of the Board

The Company put aggressive efforts in building environment-friendly working environment. During the Reporting Period, the construction of Huatai Securities Plaza was almost completed, which takes full advantage of natural ventilation, natural light and landscape to achieve energy conservation. In the meanwhile, photovoltaic, tubular day-lighting appliances, ground source heat pump, raindrop recycling systems and technologies have been applied in this project to make contributions for the sustainable development. During the Reporting Period, buildings 1 to 3 were granted “Two-star Green Architecture Design Label Certificate” by the Bureau of Housing and Urban-rural Development of Jiangsu Province.

The Company provides active support for development of environmental protection and related industries. The Company leveraged on its professional capability in major investment banking business to provide environmental enterprises with high-quality capital market services to support the development of the environmental protection industry. During the Reporting Period, the Company assisted four environmental protection enterprises, namely Lyvan Ecology, Gad Environmental, Golden 3C Tech and Energy Explorer, to list in NEEQ. Huatai United Securities, a subsidiary controlled by the Company, focused on the support for energy conservation and emission reduction, pollution treatment, ecological protection enterprises in fund raising, and led three re-financing projects for Hubei Energy Group, Anhui Water Resources and M-Grass.

(XII) Compliance with relevant laws and regulations

As a public company listed in Mainland China and Hong Kong, the Company has formulated and continuously improved various rules and regulations in strict compliance with requirements of relevant laws and regulations and normative documents in the places where the Company is listed, including the Company Law, Securities Law, the Measures for the Supervision and Management of Securities Companies, the Administrative Rules for Listed Companies, Appendix XIV Corporate Governance Code and Corporate Governance Report to Hong Kong Listing Rules as well as the provisions of the Articles of Association of the Company, to standardize the operation of the Company. The Company is committed to continuously maintaining and improving the Company’s good image in the market. For the punishment and public censure of the Company during the Reporting Period, please refer to the section of “Major Events” on page 139 to page 179 of this report.

(XIII) Reserve and reserve available for distribution

For the changes in reserve and reserve available for distribution, please refer to the consolidated statements of changes in equity and note 54 to the financial statements in this report.

(XIV) Property and equipment and investment properties

The changes of the Group’s property and equipment and investment properties during the year are set out in Note 20 and 21 to the consolidated financial statements. On December 31, 2015, the Group did not have one or more investment properties or properties held for development and/or sale in which the Group held 5% in terms of the percentage ratio (as defined in Rule 14.04(9) of Hong Kong Listing Rules).

Management Discussion and Analysis and Report of the Board

(XV) Donations

The Company actively performed its social responsibilities, and the total expenses of the Company for public welfare projects, charity donations, poverty supporting donations and education sponsorship in 2015 was RMB6,066,850.00 (2014: RMB1,554,332.00).

(XVI) Four-year financial highlight

The highlight of operating results, assets and liabilities of the Group for the past four financial years is set out “(II) Key Financial Data and Financial Indicators for the Latest Four Years” under “VIII. Key Financial Data and Indicators” under “Company Profile and Key Financial Indicators” on page 47 to page 48 of this report. This highlight does not form part of the audited combined financial statements.

(XVII) Auditors

- (1) As considered and approved at the annual general meeting of the Company for 2012 held on April 19, 2013, the Company appointed Pan-China Certified Public Accountants LLP as the auditor of the Company and its subsidiaries controlled by it to audit the accounting statements and internal control of the Company for 2013, with an auditing fee of not more than RMB2.00 million. In 2013, Pan-China Certified Public Accountants LLP issued a standard unqualified audit report on the annual financial report prepared by the Company in accordance with the accounting standards for PRC enterprises, the signatory certified public accountants of which was Zhou Rongming and Li Ying.

- (2) According to the requirements set out in the Administrative Measures for the Selection of Accounting Firms through Tender by Financial Enterprises (《金融企業選聘會計師事務所招標管理辦法》) ([2010] No. 169) promulgated by the MOF, Pan-China Certified Public Accountants LLP, the original auditor of the Company, had served the Company for three years, and was no longer qualified for renewal of engagement. Therefore, after the bid evaluation by the team of experts organized by the Bidding Center of Jiangsu Province, and as considered and approved by the third extraordinary general meeting of the Company for 2014 held on August 25, 2014, the Company engaged KPMG Huazhen LLP as the auditor to audit the accounting statements and internal control of the Company and the subsidiaries controlled by it for 2014 with an auditing fee of no more than RMB2.00 million. In 2014, KPMG Huazhen LLP issued a standard unqualified audit report on the annual financial report prepared by the Company in accordance with the accounting standards for PRC enterprises, the signatory certified public accounts of which were Wang Guobei and Zhang Nan.

Management Discussion and Analysis and Report of the Board

- (3) As considered and approved at the annual general meeting of the Company for 2014 held on March 30, 2015, the Company engaged KPMG Huazhen LLP as the auditor to audit the accounting statements and internal control of the Company and the subsidiaries controlled by it for 2015 with an auditing fee of no more than RMB2.00 million. As considered at the 29th meeting of the third session of the Board of the Company held on March 29, 2016, the Company proposed to increase the auditing fee for A shares to RMB2.55 million, and determined the new reviewing and auditing fee for H shares to be RMB2.00 million, which change shall be subject to the approval at the annual general meeting of the Company for 2015. During the Reporting Period, the Company did not pay any other non-auditing fee to KPMG Huazhen LLP or KPMG other than the above-mentioned auditing and/or reviewing fee. In 2015, KPMG Huazhen LLP issued a standard unqualified audit report on the annual financial report prepared by the Company in accordance with the accounting standards for PRC enterprises, the signatory certified public accounts of which were Wang Guobei and Zhang Nan. KPMG issued a standard unqualified audit report on the annual financial report prepared by the Company in accordance with the IFRSs, the signatory certified public accountant of which was Pang Shing Chor.
- (4) As considered and approved at the 29th meeting of the third session of the Board of the Company held on March 29, 2016, the Company proposed to engage KPMG Huazhen LLP as the auditor to audit the accounting statements and internal control of the Company and the subsidiaries controlled by it for 2016 and issue audit reports on A shares and internal control, and engage KPMG as the auditor for the H shares of the Company to issue audit reports on H shares, with an auditing fee of no more than RMB5.00 million in aggregate, which shall be subject to the consideration and approval at the annual general meeting of the Company for 2015.

(XVIII) Review of annual results

This annual financial report has been audited. The Audit Committee of the Board of the Company has reviewed the audited annual financial statements and annual report of the Company as of December 31, 2015, and raised no objection to the accounting policies and practices adopted by the Company.

(XIX) Publication of the annual report

This results announcement will be published on the Company's website (www.htsc.com.cn) and the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk).

The Company's annual report 2015 containing all information required under the Hong Kong Listing Rules will be dispatched to the shareholders of the Company and will be published on the Company's website (www.htsc.com.cn) and the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk).

Major Events

I. PROPOSAL OF PROFIT DISTRIBUTION FOR ORDINARY SHARES OR CAPITALIZATION FROM CAPITAL RESERVE

(i) Formulation, implementation or adjustment of cash dividend policy

Article 255 of the Articles of Association specifies the decision-making procedures of the Company's profit distribution policy and proposal and their adjustment. According to the Company's profit distribution policy, "the Company emphasizes on a reasonable investment return to the investors and implements a continual and steady policy of profit distribution. The Company's profit distribution may not exceed its accumulated distributable profits nor impair the Company's sustainable capability of operation. The Company may distribute dividends in form of cash, shares or a combination of cash and shares. Except for the special circumstance under which the Company fails to comply with the regulatory requirements regarding net capital due to the Company's plan to make material investment or significant cash disbursement within the next twelve months, the Company shall distribute its dividends in form of cash if the Company's profits for the current year and the accumulated undistributed profits are positive. If the Company's accumulated profits distributed in form of cash for the last three years were no less than 30% of the annual average distributable profit for the last three years, when proposed by the Board and approved by the Shareholders' General Meeting, an interim dividend distribution may also be made in the form of cash. The Company may distribute dividends in the form of shares based on the annual profits and cash flow and subject to the satisfaction of the minimum ratio for cash dividend and the reasonableness of the Company's capital."

For the last three years (including the Reporting Period), the Company had not implemented any plan or proposal regarding capitalization from capital reserve to share capital. The details of the profit distribution plan or proposal of the Company for the last three years were as follows:

The year 2013: the Company recorded a net profit for the year of RMB2,219,735,131.23 attributable to the shareholders of the Company. Upon consideration and approval at the 2013 Annual General Meeting of the Company, on the basis of the total share capital of 5,600,000,000 shares as of December 31, 2013, the Company proposed the distribution of cash dividend of RMB1.5 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend was RMB840,000,000.00, accounting for 37.84% of the net profit for the year attributable to the shareholders of the Company in the year.

The year 2014: the Company recorded a net profit for the year of RMB4,486,276,132.08 attributable to the shareholders of the Company. On the basis of the total share capital of 5,600,000,000 shares as of December 31, 2014, the Company proposed the distribution of cash dividend of RMB5.00 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend was RMB2,800,000,000.00 accounting for 62.41% of the net profit for the year attributable to the shareholders of the Company in the year.

Major Events

The year 2015: the Company recorded a net profit for the year of RMB10,696,870,875.92 attributable to the shareholders of the Company. On the basis of the total share capital of 7,162,768,800 shares as of December 31, 2015, the Company proposed the distribution of cash dividend of RMB5.00 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend shall be RMB3,581,384,400.00, accounting for 33.48% of the net profit for the year attributable to the shareholders of the Company in the year. Cash dividend is denominated and declared in RMB and paid to holders of A shares in RMB and to holders of H shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD published by PBOC for five business days prior to the 2015 annual general meeting of the Company.

The proposal of such profits distribution will be submitted to the 2015 Annual General Meeting for consideration and it is expected that the dividends for 2015 will be paid within two months after the pass of the proposal but in any event no later than August 31, 2016.

The formulation and implementation of the profit distribution policies, in particular the cash dividend policy, were in compliance with relevant provisions of the securities industry, the requirements of the Articles of Association and the resolutions of shareholders' general meetings. Criteria and proportion of dividend distribution were clear and definite, and relevant decision-making procedures and mechanism were sound and complete. The independent Directors conducted due diligence and played their due roles, and channels were provided for minority shareholders to fully express their opinions and requests which fully protected their legal rights and interests. The conditions and procedures for the adjustments or changes of the Company's profit distribution policy were legitimate and transparent.

(ii) Plan or proposal of the profit distribution for ordinary shares or capitalization from capital reserve to share capital for the last three years (including the Reporting Period)

Unit and Currency: RMB (Yuan)

Year of distribution	Amount of bonus shares per ten shares (share)	Amount of dividends (tax inclusive) per ten shares (RMB)	Conversion per ten shares (share)	Amount of cash dividends (tax inclusive)	Net profit for the year attributable to the shareholders of the Company in the annual consolidated statements during the year of distribution	Percentage
						in net profit for the year attributable to the shareholders of the Company in the consolidated statements (%)
2015	—	5.0	—	3,581,384,400.00	10,696,870,875.92	33.48
2014	—	5.0	—	2,800,000,000.00	4,486,276,132.08	62.41
2013	—	1.5	—	840,000,000.00	2,219,735,131.23	37.84

Major Events

Note: Profit for the year attributable to the shareholders of the Company in the consolidated statements during the 2013 distribution year was restated retrospectively in accordance with relevant rules and regulations, and the percentage of the amount of cash dividends in profit for the year attributable to the shareholders of the Company in the consolidated statements was adjusted accordingly.

(iii) Tax Reduction or Exemption

1. A-share holders

Pursuant to provisions in the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) jointly issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for individual shareholders, if the term of shareholding (a period from the date of acquisition of the listed shares on public offering and transferring markets by the individual to the date one day before the shares are transferred and settled) is within one month (inclusive), all the dividend and bonus incomes thereof are counted as taxable income at the effective tax rate of 20%. If the term of shareholding is between one month and one year (inclusive), temporarily, 50% of the dividend and bonus incomes are counted as taxable income at the effective tax rate of 10%. If the term of shareholding is over one year, temporarily, the dividend and bonus incomes are exempted of individual income taxes. When dividends and bonuses are distributed by a listed company, such company, temporarily, shall not withhold or pay any individual income taxes on behalf of the individuals whose term of shareholding is within one year (inclusive), instead, the taxable incomes shall be calculated by a securities registration and settlement company based on the term of shareholding when the individual transfers those shares and the company shall withhold and pay the taxes through the securities registration and settlement company. For dividend and bonus incomes obtained by securities investment funds from listed companies, the individual income taxes thereof are calculated and levied pursuant to the provisions in the document of Cai Shui [2015] No. 85.

For Qualified Foreign Institutional Investors (QFII), pursuant to provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII (Guo Shui Han, [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) issued by the State Administration of Taxation, corporate income taxes are withheld and paid by the listed company at the uniform tax rate of 10%. If the dividend and bonus incomes obtained by QFII shareholders are meant to claim the treatment as stipulated in tax treaties (arrangements), application for tax refund can be submitted to the governing tax authority after the acquisition of such dividends and bonuses according to regulations.

Major Events

Pursuant to provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend and bonus incomes obtained by investors (including enterprises and individuals) on Hong Kong market from investing in A-shares listed on Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before Hong Kong Securities Clearing Co. Ltd. meets the conditions of providing identification, term of shareholding and other specific data of investors, and the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong Investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the investing enterprises or individuals may by themselves or entrust a withholding agent on their behalf to forward the application to the governing tax authority of the listed company for the treatment as stipulated in such tax treaties. Upon the verification and approval of the governing tax authority, taxes shall be refunded based on the discrepancy between the levied taxes and the taxes payable pursuant to the tax treaty.

For institutional investors, the taxes on their dividend and bonus incomes shall be paid by themselves.

2. H-share holders

Pursuant to provisions in the Notice by the State Administration of Taxation on Issues Regarding the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), for dividend and bonus incomes obtained by individual shareholders as foreign residents from shares of domestic non-foreign-invested enterprises listed in Hong Kong, the individual income taxes thereof shall be withheld and paid by withholding agent lawfully under the item "interest, dividend and bonus income". When a non-foreign-invested enterprise lists its shares in Hong Kong, its individual shareholders as foreign residents can claim relevant tax preferences pursuant to the provisions in the tax treaty entered into between the country where their residential identity belong and the PRC and in the tax arrangements between Mainland China and HK (Macau). Pursuant to the relevant tax treaties and tax arrangements, the tax rates for dividends are normally 10%. To simplify administration of tax collection, when dividends and bonuses are distributed by a domestic non-foreign-invested enterprise for shares listed in Hong Kong, individual income taxes thereof are generally withheld and paid at the tax rate of 10% with no need to file any application. In case that the dividend tax rate is not 10%, following provisions shall be followed: (1) for residents subject to tax rates below 10% pursuant to relevant treaties, withholding agents may handle the application for relevant treatments under such treaties on behalf of them, and the extra tax payments shall be refunded upon approval of the governing tax authority; (2) for residents subject to tax rate over 10% but lower than 20% pursuant to relevant treaties, withholding agents shall withhold and pay the individual income taxes at the effective rate when the dividends and bonuses are distributed, with no need to apply for review and approval; (3) for residents whose countries haven't entered into any tax treaty with the PRC, withholding agents shall withhold and pay the individual income taxes at the tax rate of 20% when the dividends and bonuses are distributed.

Major Events

Pursuant to provisions in the Notice on Issues regarding Withholding of Enterprise Income Taxes when PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise H-share Holders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, PRC resident enterprise shall withheld and pay corporate income tax at the uniform tax rate of 10% on behalf of its shareholders when distributing the annual dividends and bonuses to foreign non-resident enterprise H-share holders for the year 2008 and subsequent years.

Pursuant to provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation, for dividends and bonuses obtained by mainland individual investors from investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the rate of 20%. For the dividend and bonus incomes obtained by mainland securities investment funds by investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividend and bonus incomes obtained by mainland enterprise investors from investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on the dividends and bonuses, as the income taxes paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses obtained by mainland resident enterprises from holding relevant H shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax relieves pursuant to the above provisions.

Major Events

II. PERFORMANCE OF UNDERTAKINGS

- (i) Undertakings of the Company, shareholders, de facto controllers, purchasers, directors, supervisors, senior management and other connected parties made and/or remain effective during the Reporting Period

Background of undertaking	Type of undertaking	Undertaker	Description	Issuing and expiry date of undertaking	Any deadline for performance or not	Strictly complied with the undertaking in time or not
Other undertaking	To cope with horizontal competition	Jiangsu Guoxin Investment Group Limited	Jiangsu Guoxin Investment Group Limited ("Jiangsu Guoxin") and its subsidiaries and associated companies shall not engage in or conduct any business which competes with the primary business of the Company at any time and in any form (including but not limited to proprietary trading, joint venture or cooperation) (except Jintai Futures Co., Ltd.). Any opportunities to conduct, engage in or invest in any business which may compete with the business of the Company available to Jiangsu Guoxin and its subsidiaries and associated companies shall be referred to the Company (except Jintai Futures Co., Ltd.).	Issuing date: June 27, 2014. Expiry date: in a long term	No	Yes

III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE DURING THE REPORTING PERIOD

During the Reporting Period, there was no appropriation of the Company's fund.

Major Events

IV. ANALYSIS AND EXPLANATION FROM THE BOARD OF DIRECTORS ON THE REASONS AND IMPACT OF THE CHANGE OF ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CALCULATION METHODS

(I) Change to accounting policies

During the Reporting Period, there was no change to the significant accounting policies of the Company.

(II) Change to accounting estimates

1. *Change to provision rate for bad debt on account receivables and other receivables*

As at the end of 2014, the Company utilized individual and combined approaches concurrently to assess the bad debt provisions for the receivable accounts. For receivable amount (both in large and small amount) requiring separate bad debt provisions, such provisions were accrued pursuant to individual recognition approach. For receivable accounts requiring combined bad debt provisions based on the features of credit risks, such provisions are accrued on a combined basis at certain percentage of the relevant balances of receivable accounts at the end of the year.

In order to timely and objectively indicate the changes in the recoverability and risk status of our receivables, as mandated by the 16th meeting of the third session of the Board of Directors, the Company considered and approved the amended Accounting System of Huatai Securities Co., Ltd. on March 6, 2015, pursuant to which, the Company carried out the changes of bad debt provision rate for account receivables and other receivables that require combined bad debt provisions based on the features of credit risks as below:

Age	Provision rate before change (%)	Provision rate after change (%)
Within 1 year (inclusive)	0.3	0.5
1 to 2 years (inclusive)	0.3	5
2 to 3 years (inclusive)	0.3	10
Over 3 years	50-100	50

The Company followed prospective application method in the calculation of the above changes to accounting estimates which reduced the equity and net profit for the year by RMB2,649,326.87. As it was impossible to estimate the balances for receivable accounts and other receivables of the Company as at the end of future years, the implications of changes regarding receivable accounts and other receivables in the future years were impossible to be estimated.

Major Events

2. *Change of impairment rate for financing businesses (including margin financing and securities lending, stock repurchase and securities-backed lending)*

At the disclosing date, the Company sorted out its financing businesses involving sufficient evidences and recognizable, certain and specific losses one by one. Creditor's rights with certain potential losses were tested for impairment individually based on the individual recognition approach, and impairment provisions for them were accrued specifically. For financing businesses that did not require specific impairment provisions, such provisions were accrued on a combined basis.

In order to timely and objectively indicate the changes in the recoverability and risk status of our creditor's rights in financing businesses, as mandated by the 24th meeting of the third session of the Board of Directors on October 30, 2015, the Company changed the impairment provision rate for financing businesses that did not require specific impairment provisions from 0% to a certain percentage according to the categorization and risk classification of assets underlying the financing businesses.

The Company followed prospective application method in the calculation of the above change to accounting estimates which reduced the equity and net profit for the year by RMB56,843,795.17. As it was impossible to classify the assets underlying the financing businesses based on the estimate of the risk status of customers as at the end of future years, the implications regarding the change of the impairment provision rate for financing businesses on the combined basis in the future years were impossible to be estimated.

V. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Unit: Thousand Yuan Currency: RMB

Current Appointment	
Appointment and removal of accounting firm	KPMG Huazhen LLP
Remuneration to domestic accounting firm	2,550
Years of auditing by domestic accounting firm	2
Name of international accounting firm	KPMG
Remuneration to international accounting firm	2,000
Years of auditing by international accounting firm	2

Name	Remuneration
Accounting firm for internal control audit	KPMG Huazhen LLP Please refer to the description below the table

Major Events

Description of Appointment and removal of accounting firm

During the Reporting Period, as approved at the Annual General Meeting of the Company for 2014, the Company reappointed KPMG Huazhen LLP as the auditor of the Company and its subsidiaries controlled by it to audit the accounting statements and internal control for 2015. KPMG Huazhen LLP was responsible for providing relevant domestic auditing service in accordance with China Accounting Standards for Business Enterprises with a term of appointment of one year and the audit fee shall not exceed RMB2 million. Upon consideration at the 29th meeting of the third session of the Board of the Company held on March 29, 2016, the Company proposed to increase the audit fee on the A shares to RMB2.55 million; meanwhile, the audit fee on the review and auditing for the H shares will increase by RMB2 million. Such changes are subject to the approval at the 2015 Annual General Meeting of the Company.

VI. RISK OF SUSPENSION OF LISTING

During the Reporting Period, the Company was not exposed to any risks of suspension of listing.

VII. BANKRUPTCY AND RESTRUCTURING

The Company was not involved in any bankruptcy or restructuring during the Reporting Period.

Major Events

VIII. MATERIAL LITIGATION, ARBITRATION

(I) Litigation, arbitration disclosed in ad hoc announcements without subsequent development

Summary and type of event	Query indexes
<p>The debt disputes between Huatai United Securities, Stone Group Corporation (四通集團公司) and Stone Group Financial Company (四通集團財務公司): There were three debt disputes due to the illegal appropriation of funds of Huatai United Securities by Stone Group Financial Company, a subsidiary of Stone Group Corporation which was a former shareholder of Huatai United Securities. Two of the disputes had been ruled by the intermediate people's court in Shenzhen via a civil order (2001) SZFJ First Instance No. 315 and a civil mediation notice (2002) SZFJ First Instance No. 430. According to the civil order and civil mediation notice, the Stone Group was demanded to pay Huatai United Securities RMB73.45 million with interests and RMB99.40 million with interests. The civil order and civil mediation notice have taken effect and are now under implementation. The last dispute was filed by Huatai United Securities to the high people's court in Beijing in June 2008 to demand aggregate payment of approximately RMB260 million, including a debt of RMB237.7536 million and interest of RMB21.8722 million, due from Stone Group Corporation. The Company had no additional assets or cash recovery in 2014. As of December 31, 2015, the carrying amount due from the Stone Group was RMB154.428 million for which impairment provision was made.</p>	<p>Could be retrieved in the annual reports for the Year 2011–2014.</p>
<p>Debt dispute between Huatai United Securities and Beijing Huazi Syndicate Group (北京華資銀團集團): As Beijing Huazi Syndicate Group failed to repay its debt to Huatai United Securities according to the agreement, Huatai United Securities filed a law suit to the peoples' court in Futian District of Shenzhen in January 2011 against Beijing Huazi Syndicate Group to demand payment of the principal and interest thereon of RMB34.5789 million in aggregate. After the first trial in February 2011, the court ordered the payment to Huatai United Securities of RMB24.30 million plus interest calculated at the interest rate of bank deposit during the same period by Beijing Huazi Syndicate Group. Beijing Huazi Syndicate Group filed an appeal to the intermediate people's court in Shenzhen in June 2011. The appeal was denied and the order of the court of first instance sustained. The order is now in the process of implementation.</p>	<p>Could be retrieved in the annual reports for the Year 2011–2014.</p>

Major Events

Summary and type of event	Query indexes
<p>Debt disputes between Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司): China Huacheng Group Financial Co., Ltd. misappropriated the funds of branches of Huatai United Securities of approximately RMB37.20 million. Cash of RMB17.38 million in aggregate was detained from three branches and the head office of Huatai United Securities by various local courts due to debt disputes between China Huacheng Group Financial Co., Ltd. and its creditors. However, China Huacheng Group Financial Co., Ltd. refused to pay the debts. In December 2003, Huatai United Securities submitted a lawsuit to the intermediate people's court in Shenzhen to demand Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. to severally and jointly settle the debts. After filing of the lawsuit, all local courts were instructed by the highest people's court that no litigation involving Huacheng Investment Management Co., Ltd. and its subsidiaries shall be accepted, heard or executed. The lawsuit has been adjourned since then. In May 2009, Huacheng Investment Management Co., Ltd. was ruled bankrupt and put under liquidation by the court. In August 2009, Huatai United Securities filed a claim of RMB125.98 million (sum of principal and interest) to the liquidation committee. However, the debt was unconfirmed because it had not been verified by the court. In March 2010, the intermediate people's court in Shenzhen resumed the hearing of the case and approved the claim of Huatai United Securities after the first trial. Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. were demanded to pay RMB54.584 million and litigation fee of RMB282,000.</p>	<p>Could be retrieved in the annual reports for the Year 2011–2014.</p>

Major Events

Summary and type of event	Query indexes
<p>After that, Huatai United Securities filed its claim of the debts and litigation fee to the liquidation committee of Huacheng Investment Management Co., Ltd.. On December 21, 2012, Huatai United Securities was issued a civil award from No. 2 intermediate people's court in Beijing stating that the liquidation of Huacheng Investment Management Co., Ltd. was completed. During the liquidation of Huacheng Investment Management Co., Ltd., Huatai United Securities was distributed 2,764,400 shares in Huafang Co., Ltd. and cash of RMB1,823,979. In July 2012, China Huacheng Group Financial Co., Ltd. was ruled bankrupt and put under liquidation by the court. In June 2013, the liquidator issued a List of Debts for Verification for the debt confirmation of Huatai Securities. On March 21, 2014, No. 2 intermediate people's court in Beijing convened a meeting of creditors of China Huacheng Group Financial Co., Ltd. At the meeting, the liquidator stated that "as Huatai United Securities Co., Ltd. denied the capacity of Huacheng Investment Management Co., Ltd. as its shareholder, it is not a creditor to the debts owed by China Huacheng Group Financial Co., Ltd.". Accordingly, Huatai United Securities submitted a law suit regarding the debts to No. 2 intermediate people's court in Beijing. On November 18, 2014, No. 2 intermediate people's court in Beijing announced its judgment of (2014) Er Zhong Min Chu Zi No. 6794. Pursuant to which, Huatai United Securities should be a creditor to the debts of China Huacheng Group Financial Co., Ltd. in the amount of RMB39,387,194.72. As the other party did not make any appeal subsequently, the judgment became effective. The bankruptcy distribution is still underway.</p>	

Major Events

(II) Litigation, arbitration not disclosed in ad hoc announcements or with subsequent development:

Unit and currency: RMB (Yuan)

During the Reporting Period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of action (arbitration)	Basic status of action (arbitration)	If action (arbitration)		Progress of action (arbitration)	Award and effect of action (arbitration)	Enforcement of judgment of action (arbitration)
					Amount involved in action (arbitration)	forms estimated liabilities and amount or not (arbitration)			
Huatai Futures	Zhang Xiaodong		Debt dispute	Refer to notes	22,639,786.41	No	Execution phase	Refer to notes	Refer to notes
Huatai Securities	Kunshan Kaihong Car Trade Co., Ltd.		Objection to enforcement	Refer to notes	25,000,000.00	No	Pending court judgement		

1. A considerable overloss occurred in futures account of Zhang Xiaodong, a client of Huatai Futures, on April 16, 2013, with the overloss amount of RMB22,639,786.41. Since Zhang Xiaodong failed to repay the overloss amount lent by Huatai Futures, on December 27, 2013, Huatai Futures brought a civil action against Zhang Xiaodong to the First Intermediate People's Court of Shanghai, requiring Zhang Xiaodong to reimburse the overloss amount paid by Huatai Futures for him and bear all legal costs. The First Intermediate People's Court of Shanghai held a hearing on May 29, 2014, and delivered a verdict ((2014) HYZML(S) C Zi No. 1 ((2014) 滬一中民六(商)初字第1號)) on June 25, pronouncing that the defendant Zhang Xiaodong shall repay RMB22,639,786.41 to the plaintiff Huatai Futures within ten days after the verdict became effective, and supporting the plaintiff's demand that Zhang Xiaodong should bear the case hearing cost. Huatai Futures applied to the First Intermediate People's Court of Shanghai for compulsory enforcement of overloss amount of Zhang Xiaodong on November 11, 2014; currently, the case is under enforcement. With respect to the application for enforcement through the defendant's properties, Huatai Futures received enforcement ruling from the Intermediate People's Court of Sanmenxia City, Henan Province at end of June 2015: since the person subject to enforcement was temporarily unable to repay the debt, the case failed to be executed effectively, and the court terminated the procedure of enforcement. If the person subject to enforcement was found to have properties to be executed, Huatai Futures may apply to the court for resuming enforcement at any time. In accordance with relevant finance system regulations, such overloss of client was treated as "loss for receivable risk" in year 2013. Huatai Futures made provision for futures risk in accordance with relevant regulations of finance management in futures industry, and no bad debt provision was required for such overloss.

Major Events

2. Huatai Securities raised objection to enforcement for the deposit receipts under pledge: as the manager of “Jinling No. 6 Targeted Assets Management Plan of Huatai Securities (hereinafter referred to as “Jinling No. 6 Plan”), Huatai Securities, according to the investment directive from the client, invested in the right to yields of deposit receipts held by Kunshan Kaihong Car Trade Co., Ltd. (hereinafter referred to as “Kunshan Kaihong”) with the assets under the targeted plan on April 22, 2014, and Kunshan Kaihong agreed to buy back all such deposit receipts on April 21, 2016. To guarantee normal performance of buyback articles, Kunshan Kaihong pledged the deposit receipts (RMB25 million) to Huatai Securities. Due to other disputes of Kunshan Kaihong, its relevant assets (including the deposit receipts of RMB25 million pledged for such business) were frozen by the People’s Court of Kunshan City. According to the provisions of relevant contracts, if the transferor of deposit receipts was involved in disputes, Jinling No. 6 Plan manager was able to exercise the right of pledge in advance. In October 2015, Huatai Securities raised objection to enforcement to the People’s Court of Kunshan City, requesting the court to defreeze the deposit receipts of RMB25 million pledged by the aforesaid enterprise to Huatai Securities. The People’s Court of Kunshan City has accepted the objection raised by Huatai Securities (acceptance No. (2016) S0583ZY No. 9 ((2016)蘇0583執異9號)), and a hearing was held on February 25, 2016 for the case, the outcome of which is pending court judgment. As the manager of the “Jinling No. 6 Plan”, Huatai Securities has been entrusted by the client of the Plan to institute the proceedings, and the losses or profits arising wherefrom will be included in the assets under Plan. The assets under Plan are independent from the assets of Huatai Securities, and this lawsuit has no adverse effect on the Company’s profits during and after the current period.

(III) The punishment and denouncement received by the Company this year

1. During the Reporting Period, the Company received the Determination of China Securities Regulatory Commission (CSRC) on Ordering Huatai Securities to Correct within Time Limit ([2015] No. 38) (《關於對華泰證券股份有限公司採取責令限期改正措施的決定》([2015]38號)) on April 3, 2015, which stated that “Through investigation, your Company offered securities margin trading to clients who had been engaged in securities trading for less than half a year consecutively in your Company or other securities companies controlling, or controlled by, your Company, and to clients who lacked the capacity of assuming risks, and opened credit accounts of securities margin trading for some clients in an improper method. The aforesaid behaviors violated Article 11 and Article 14 of Measures for the Administration of the Margin Trading and Short Selling Business of Securities Companies, as well as Article 29 and Article 30 of Regulation on the Supervision and Administration of Securities Companies, indicating that the internal control of your Company was faulty. In accordance with the provisions of Article 70 of Regulation on the Supervision and Administration of Securities Companies, your Company is ordered to correct within certain period. Your Company should streamline relevant business procedure, strengthen the law compliance awareness of relevant personnel, and complete correction within one month after the Determination is issued.”

Major Events

Pursuant to the aforesaid Determination, the Company adopted the following corrective measures:

- (1) Analyzed the clients who opened accounts in our Company more than half a year ago but had been trading for less than half a year; for the existing clients, measures such as clearing credit line and imposing limitation on new trading were adopted to implement correction; for new clients, front-end control would be strengthened, and the double control mechanism of “system front-end judgment plus manual check” was fully implemented, so as to ensure that clients who apply for securities margin trading have been engaged in securities trading for more than half a year consecutively.
- (2) Since January 19, 2015, the Company has increased the assets threshold of opening account of securities margin trading to RMB500,000, and verified new client’s qualification through system front-end control; for clients who opened credit accounts and traded before the CSRC required for adjusting assets threshold of opening account, risk evaluation will be strengthened, and risk warning and customer service will be improved.
- (3) Pursuant to regulatory requirements, the Company fully suspended the online business for opening securities margin trading account on January 23, 2015, including corresponding marketing and promotion activities. Later, the Company prudently carried out securities margin trading business by strictly following relevant laws and standards, strengthened the study, research and training of business criterions related to margin trading business, and timely requested competent authorities to explain the policies and statutes for which we did not understand clearly.

Relevant announcements were disclosed on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and website of Shanghai Stock Exchange (www.sse.com.cn) on April 7, 2015.

2. During the Reporting Period, the Company received the Determination of the CSRC Anhui Branch on Issuing Warning Letter to Huatai Securities Hefei Changjiang East Street Security Sales Department ([2015] No. 1) (《關於對华泰證券股份有限公司合肥長江東大街證券營業部採取出具警示函措施的決定》([2015]1號)) on April 24, 2015, which stated that “Through investigation, we found that you opened securities margin trading account for a client who had been engaged in securities trading for less than half a year in your Company, and concluded a Letter of Guarantee with the client, undertaking to provide the client with the credit accounts of others (although not actually used). The aforesaid behaviors violated Article 28 of Regulation on the Supervision and Administration of Securities Companies, as well as Article 11 of Measures for the Administration of the Margin Trading and Short Selling Business of Securities Companies, indicating that your internal control was faulty. In accordance with the provisions of Article 70 of Regulation on the Supervision and Administration of Securities Companies, we determined to adopt the supervision & administration measure of issuing warning letter to you. You should strengthen compliance management and internal control strictly according to relevant laws and statutes when carrying out business, fully check the management of clients’ accounts and the financing business, standardize business operation and guarantee the safety of clients’ accounts.”

Major Events

The Company immediately organized the relevant sales department to correct after receiving the letter. The sales department established a special correction team to check the compliance of all records of margin trading and short selling clients, streamlined the seal management flow, and strengthened daily management and employees' consciousness of compliance, so as to avoid the reoccurrence of similar risk events.

3. During the Reporting Period, the Company received the Notice of Proposed Administrative Penalty (CF Zi [2015] No. 72) (《行政處罰事先告知書》(處罰字[2015]72號)) from the CSRC on September 10, 2015, which stated that "through investigation, Huatai Securities is suspected of committing the following illegal behaviors: on July 29, 2013, Huatai Securities Weining Road Security Exchange Sales Department, as per the request from its client Shanghai Zhaoxing Properties Co., Ltd. (hereinafter referred to as "Zhaoxing Properties"), jointly tested the HOMS's access to software system of Huatai Securities with Hundsun Technologies Inc. (hereinafter referred to as "Hundsun"). After system connection, under the circumstance that Zhaoxing Properties does did not use the system, Huatai Securities did not switch off its connection port with HOMS, nor did it set up corresponding supervision on this special line. From October to December, 2014, without adopting any prevention measures for its trading system, Huatai Securities allowed engineers of Hithink Royalfly Information Network Co., Ltd. (hereinafter referred to as "Royalfly") to install assets management module in the computer room of Huatai Securities. For the aforesaid third party transaction terminal software connected with the outside, Huatai Securities did not conduct software certification and authentication, and failed to implement effective management on external system access, lacking in knowledge about the identities of relevant clients. As at the investigation day, Huatai Securities had 516 client accounts with HOMS and Royalfly system access. For such clients, Huatai Securities did not collect or guarantee authenticity, accuracy, integrity, coherence and readability of the information of the client transaction terminations as per requirements, nor did it adopt reliable measures to collect and record information related to client identity recognition. In conclusion, Huatai Securities did not verify the identity information of clients in accordance with Article 6, Article 8 and Article 13 of Regulation on Strengthening Management of Client Information (Including Client Transaction Terminal Information) of Securities & Futures Institutions, as well as Article 50 of Securities Account Management Rule of China Securities Depository and Clearing Company Limited, in violation of the provisions of Article 28 (1) of Regulation on the Supervision and Administration of Securities Companies, constituting the behavior mentioned in Article 84 (4) of Regulation on the Supervision and Administration of Securities Companies, and obtaining profits of RMB18,235,275.00. At that time, general manager Hu Zhi of Brokerage Business HQ and deputy general manager Chen Dong of IT Division of Huatai Securities were directly in charge of the aforesaid behaviors. After we issued the "Opinions on Clearing and Correcting Illegal Securities Business Activities" (ZJHGG [2015] No. 19) on July 12, 2015, Huatai Securities still failed to adopt effective measures to strictly verify the authenticity of identities of its clients, or effectively prevent clients from being engaged in illegal transaction activities through securities transaction channels, and added 102 new sub-accounts, which was severely in violation of relevant laws. The aforesaid facts can be proved by evidences such as inquiry records of relevant personnel, historical records of authorization and transaction data of HOMS and Royalfly system access accounts, explanation from Huatai Securities and commission calculation

Major Events

data. Based on the fact, nature, circumstance and degree of social harm of the illegal behaviors, and in accordance with Article 84 (4) of Regulation on the Supervision and Administration of Securities Companies, the CSRC has decided to: (i) Warn and order Huatai Securities to correct, confiscate the illegal income of RMB18,235,275.00, and impose the fine of RMB54,705,825.00; (ii) Warn Hu Zhi and impose the fine of RMB100,000; and (iii) Warn Chen Dong and impose the fine of RMB100,000. In accordance with Article 32 and Article 42 of Administrative Penalty Law of the People's Republic of China as well as the provisions of Administrative Penalty Hearing Rule of the CSRC, you are entitled to state, argue and demand for hearing for the aforesaid administrative penalties to be imposed on you. The facts, reasons and proofs raised by you, if tenable after our review, will be accepted. If you waive the rights of stating, arguing and demanding for hearing, the CSRC will make official decision on administrative penalties based on the aforesaid facts, reasons and proofs."

According to the relevant regulatory requirements on external access information system, the Company began to clear and sort out external information system and accounts since in June 2015. In August, the Company cut off the special access line of Hundsun HOMS, limited the access from Royalfush assets management platform, and shut down the external connection system with fund-matching financing risks. As of August 19, all accounts connecting with HOMS had been cleared out, and account white list control mechanism had been put into use for all systems connected with the outside. Starting from September, pursuant to the requirements of Notice of Proposed Administrative Penalty, the Company improved the technical criterions for external information system, organized due diligence and evaluation on existing external system and corresponding accounts, analyzed the transmission of transaction terminal feature codes of information system independently operated by the Company or connected with the outside, transformed the terminal feature codes and followed up the daily supervision.

4. During the Reporting Period, Sichuan Branch of the Company received the Determination on Administrative Penalty (CYF Zi [2015] No. 4) issued by PBOC, Chengdu Branch on November 25, which stated that "during investigation, it was found that you had illegal behaviors in performing the obligation of client identity recognition, including failure to register complete information of client identity, failure to re-recognize the client, failure to continuously recognize the client and failure to classify and adjust client money laundering risks. In accordance with Article 32 of Anti-money Laundering Law of the People's Republic of China, we decide to impose you a fine of RMB300,000 for your aforesaid illegal behaviors."

After receiving the circular, the Company immediately required Sichuan Branch to adopt corrective measures, including supplementing client information, re-recognizing relevant clients according to requirements, limiting clients who refused to update the expired identity certificate documents without justified reasons, improving client risk grade classification, performing obligations related to anti-money laundering, in order to fully prevent the risks of money laundering.

Major Events

5. During the Reporting Period, Anhui Branch of the Company received Determination on Administrative Penalty (HYF Zi [2015] No. 10) issued by PBOC, Hefei Central Sub-branch on December 25, which stated that “though you failed to perform the obligations of client identity recognition and reporting suspicious transactions, you offered assistance to inspection team during inspection period, submitted report on correction within the time limit to inspection team, actively removed or lessened the bad consequences of your illegal behaviors; therefore, in accordance with Article 32 of Anti-money Laundering Law of the People’s Republic of China and Article 27 of Administrative Penalty Law of the People’s Republic of China, PBOC, Hefei Central Sub-branch made the following decisions: (i) The punishment imposed on you would be mitigated, and you would be fined RMB100,000; (ii) Your senior managers would be fined RMB10,000.”

After receiving the circular, the Company immediately required Anhui Branch to adopt corrective measures, including fully streamlining internal management flow for anti-money laundering, implementing client identity recognition work according to requirements, strengthening analysis and discrimination on suspicious transactions, and promoting the sustainable and effective implementation of anti-money laundering work.

IX. PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND PURCHASER

During the Reporting Period, none of the directors, supervisors, senior management, Shareholders holding over 5% of equity interest or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, banned from access to market, identified as an unsuitable person, punished by other administrative departments or publicly condemned by a stock exchange.

For details of punishment on and rectification of the Company during the Reporting Period, please refer to “(III) The punishment and denouncement of the Company this year” under “VIII. Material litigation, arbitration” under this section.

Major Events

X. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

During the Reporting Period, the Company and its de facto controller maintained excellent integrity and there were no such cases as non-performance of effective court judgment and overdue of relative large liability.

XI. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPLICATION

During the Reporting Period, the Company did not implement any share incentive scheme, employee stock ownership plan or other employee incentives.

XII. MATERIAL CONNECTED TRANSACTION

During the Reporting Period, the Company did not have any material connected transactions. Details on connected transaction under the relevant accounting standards can be found in the note 58 to the consolidated financial statements.

XIII. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATION THEREOF

(I) Custody, contracting and lease

During the Reporting Period, the Company did not have any custody, contracting or lease arrangements.

(II) Guarantees

During the Reporting Period, the Company did not have any guarantee.

Major Events

(III) Other material contracts

Name of contract	Contracting parties	Date of signing	Carry amount	Asset underlying the contract					Price for transaction	Performance
				assessed value	Name of assessment agency	Base date of assessment	Principle of pricing			
General construction contract for HTSC Square	HTSC and China Jiangsu International Economic and Technological Cooperation Group Ltd.	July 30, 2010						RMB1,132,851,800	In July, 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Ltd. entered into the General Construction Contract for HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB64,849,224.88 under the general construction contract and sub-contracts thereof. By the end of the Reporting Period, the Company has paid RMB708,126,542.97 in total under the general construction contract.	
Construction contract for smart facilities at HTSC Square	HTSC and Shanghai Haode Tech Co., Ltd.	March 6, 2012						RMB198,899,700	In March, 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB62,279,236.96 under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB161,310,273.91 in total under the construction contract for smart facilities.	

Major Events

Name of contract	Contracting parties	Date of signing	Carry amount	Asset underlying the contract				Price for transaction	Performance
				assessed value	Name of assessment agency	Base date of assessment	Principle of pricing		
Construction contract for interior decoration of the second bid section of HTSC Square	HTSC and Zhejiang Yasha Decoration Co., Ltd	May 21, 2013						RMB117,584,500	On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB63,947,486.88 under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB83,052,399.33 in total under the construction contract for interior decoration of the second bid section.
Construction contract for interior decoration of the first bid section of HTSC Square	HTSC and China Building Technique Group Co., Ltd.	May 21, 2013						RMB78,771,800	On May 21, 2013, the Company and China Building Technique Group Co., Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB67,225,930.87 under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB74,621,384.36 in total under the construction contract for interior decoration of the first bid section.

Major Events

Name of contract	Contracting parties	Date of signing	Carry amount	Asset underlying the contract					Price for transaction	Performance
				assessed value	Name of assessment agency	Base date of assessment	Principle of pricing			
Construction contract for interior decoration of the third bid section of HTSC Square	HTSC and Shenzhen ShenZhuangZong Decoration Co., Ltd.	October 2013						RMB131,586,304.3	In October 2013, the Company and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB25,607,301.48 under the construction contract for interior decoration of the third bid section. By the end of the Reporting Period, the Company has paid RMB93,088,450.4 in total under the construction contract for interior decoration of the third bid section.	
Transfer and repurchase contract on the rights to earnings from creditor's rights of CMBC in financing business	HTSC and China Merchants Bank Co., Ltd.	February 24, 2014						RMB1,000,000,000	In February 2014, the Company and China Merchants Bank Co., Ltd. entered into the Transfer and Repurchase Contract on the Rights to Earnings from Creditor's Rights in Financing Business which was fulfilled during the Reporting Period.	
Transfer and forward contract on the rights to earnings from creditor's rights in financing business between China Merchants Bank Co., Ltd. and HTSC	China Merchants Bank Co., Ltd. and HTSC	August 15, 2014						RMB4,100,000,000	In August 2014, the Company and China Merchants Bank Co., Ltd. entered into the Transfer and Forward Contract on the Rights to Earnings from Creditor's Rights in Financing Business which was fulfilled during the Reporting Period.	

Major Events

Name of contract	Contracting parties	Date of signing	Carry amount	Asset underlying the contract			Principle of pricing	Price for transaction	Performance
				assessed value	Name of assessment agency	Base date of assessment			
Transfer and forward acquisition contract on the rights to earnings from creditor's rights to financial assets between CIB Wealth Asset Management Co., Ltd. and HTSC	HTSC and CIB Wealth Asset Management Co., Ltd.	August 15, 2014					RMB10,500,000,000	In August 2014, the Company and CIB Wealth Asset Management Co., Ltd. entered into the Transfer and Forward Acquisition Contract on the Rights to Earnings from Creditor's Rights to Financial Assets which was fulfilled during the Reporting Period.	
Transfer and forward acquisition contract on the rights to earnings from creditor's rights in financing business between Boser Capital Management Co., Ltd. and HTSC	HTSC and Boser Capital Management Co., Ltd.	September 19, 2014					RMB5,000,000,000	In September 2014, the Company and CIB Wealth Asset Management Co., Ltd. entered into the Transfer and Forward Acquisition Contract on the Rights to Earnings from Creditor's Rights in Financing Business which was fulfilled during the Reporting Period.	
Transfer and forward acquisition contract on the rights to earnings from creditor's assets between Goldstate Securities Co., Ltd. and HTSC	HTSC and Goldstate Securities Co., Ltd.	June 19, 2015					RMB4,000,000,000	On June 19, 2015, the Company and Goldstate Securities Co., Ltd. entered into the Transfer and Forward Acquisition Contract on the Rights to Earnings from Creditor's Assets which was fulfilled during the Reporting Period.	
Contract on Hengyi No. 15402 beneficiary certificate of HTSC	HTSC and Bank of Shanghai Co., Ltd.	June 24, 2015					RMB5,200,000,000	On June 24, 2015, the Company and Bank of Shanghai Co., Ltd. entered into the Contract on Hengyi No.15402 Beneficiary Certificate which was duly performed during the Reporting Period.	

Major Events

XIV. OTHER MAJOR EVENTS

(I) Changes in business registration, establishment of subsidiaries and investments of Huatai Zijin Investment Co., Ltd. and its subsidiaries

1. The registered capital of Huatai Zijin Investment Co., Ltd. was increased from RMB600 million to RMB1.1 billion on January 30, 2015. In June 2015, Huatai Securities determined to increase the registered capital of Huatai Zijin Investment from RMB1.1 billion to RMB6 billion. The capital will be injected gradually based on business needs. The first sum of RMB1.25 billion was in place in June 2015 and the change in business registration was completed on August 14, 2015, which enlarged its registered capital from “RMB1.1 billion” to “RMB2.35 billion”. In December 2015, RMB400 million was put in place, and the relevant change in industrial and commercial registration was completed on January 18, 2016 with the registered capital increasing from “RMB2.35 billion” to “RMB2.75 billion”.
2. On March 16, 2015, the paid-in contribution from Huatai Zijin Investment Co., Ltd. to Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) (華泰紫金(江蘇)股權投資基金(有限合夥)) was increased from RMB274.5 million to RMB457.5 million, representing 45.75% of its total paid-in contribution.
3. **Beijing Huatai Tongxin Investment Fund Management Co., Ltd., Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) (北京華泰瑞合投資基金管理合夥企業(有限合夥)) and Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥))**

Beijing Huatai Tongxin Investment Fund Management Co., Ltd. was established on December 29, 2014 with a registered capital of RMB3 million, of which Huatai Zijin Investment subscribed for a contribution of RMB1.53 million, representing 51% of the total. Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) was established by Beijing Huatai Tongxin Investment Fund Management Co., Ltd. on January 15, 2015 with a total subscribed capital contribution of RMB30 million, of which Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB15.3 million as a limited partner, representing 51% of the total subscribed contribution.

Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) was established by Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) on June 1, 2015. The total subscribed capital contribution in the first phase was RMB1 billion, of which Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) subscribed for a contribution of RMB10 million as the executive partner, general partner and fund manager, representing 1% of the total subscribed contribution, and it undertook unlimited liability; Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB440 million as a limited partner, representing 44% of the total subscribed contribution, and it undertook limited liability. On June 19, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB220 million to Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership), representing 44% of the total paid-in contribution.

Major Events

On July 31, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB25,500 to Beijing Huatai Tongxin Investment Fund Management Co., Ltd. representing 51% of the total; and a paid-in contribution of RMB2.55 million to Huatai Ruihe Investment Fund Management Partnership (Limited Partnership), representing 51% of the total.

4. Shenzhen Qianhai Ruilian No. 7 Investment (Limited Partnership) (深圳前海瑞聯七號投資中心(有限合夥))

Shenzhen Qianhai Ruilian No. 7 Investment (Limited Partnership) was established on January 22, 2015, by Huatai Ruilian Fund Management Co., Ltd., a subsidiary controlled by Huatai Zijin Investment Co., Ltd. via investment. Huatai Ruilian Fund Management Co., Ltd. subscribed for a contribution of RMB1 million as the general partner, representing 0.03% of the total subscribed contribution; Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB1.25 billion, representing 41.65% of the total subscribed contribution. On July 13, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB1.25 billion to Shenzhen Qianhai Ruilian No. 7 Investment (Limited Partnership), representing 41.65% of the total.

5. Jiangsu Huatai Ruilian Fund Management Co., Ltd. (江蘇華泰瑞聯基金管理有限公司), Nanjing Huatai Ruilian Investment Fund Management Partnership (Limited Partnership) (南京華泰瑞聯股權投資基金管理合夥企業(有限合夥)) and Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥))

Jiangsu Huatai Ruilian Fund Management Co., Ltd. was established on July 22, 2015 by Huatai Ruilian Fund Management Co., Ltd., a subsidiary controlled by Huatai Zijin Investment Co., Ltd. via investment, with a registered capital of RMB100 million, and Huatai Ruilian Fund Management Co., Ltd. held 100% of its shares. Nanjing Huatai Ruilian Investment Fund Management Partnership (Limited Partnership) was established on July 27, 2015, by Jiangsu Huatai Ruilian Fund Management Co., Ltd. who subscribed for a contribution of RMB70 million as a general partner, representing 98.59% of the total subscribed contribution.

Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) was established on August 5, 2015, by Nanjing Huatai Ruilian Investment Fund Management Partnership (Limited Partnership). Nanjing Huatai Ruilian Investment Fund Management Partnership (Limited Partnership) subscribed for a contribution of RMB2 million as the executive partner, general partner and fund manager, representing 0.02% of the total subscribed contribution, and it undertook unlimited liability. The scope of business for Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) included non-securities investment and relevant counseling services.

Major Events

6. **Nanjing Huatai Ruixin Equity Investment Management Co., Ltd. (南京華泰瑞鑫股權投資管理有限公司), Nanjing Huatai Ruitai Equity Investment Management Center (Limited Partnership) (南京華泰瑞泰股權投資管理中心(有限合夥)) and Jiangsu Industry and Information Industry Investment Fund (Limited Partnership) (江蘇工業和信息產業投資基金(有限合夥))**

Nanjing Huatai Ruixin Equity Investment Management Co., Ltd. was established on November 20, 2015 by Huatai Zijin Investment Co., Ltd., with a registered capital of RMB1 million, of which Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB510,000, representing 51% of the total. On December 24, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB153,000 to Nanjing Huatai Ruixin Equity Investment Management Co., Ltd.

Nanjing Huatai Ruitai Equity Investment Management Center (Limited Partnership) was established on November 23, 2015 by Nanjing Huatai Ruixin Equity Investment Management Co., Ltd. Nanjing Huatai Ruixin Equity Investment Management Co., Ltd. subscribed for a contribution of RMB10,000 as the executive partner and general partner, representing 1% of the total subscribed contribution, and it undertook unlimited liability; Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB510,000, representing 51% of the total subscribed contribution, and it undertook limited liability. On December 24, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB153,000 to Nanjing Huatai Ruitai Equity Investment Management Center (Limited Partnership).

Jiangsu Industry and Information Industry Investment Fund (Limited Partnership) was established on November 26, 2015 by Nanjing Huatai Ruitai Equity Investment Management Center (Limited Partnership). Nanjing Huatai Ruitai Equity Investment Management Center (Limited Partnership) subscribed for a contribution of RMB50,000 as the executive partner, general partner and fund manager, representing 0.00415% of the total subscribed contribution, and it undertook unlimited liability; Huatai Zijin Investment Co., Ltd. subscribed for a contribution of RMB200.95 million, representing 16.66% of the total subscribed contribution, and it undertook limited liability. On December 25, 2015, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB200.95 million to Jiangsu Industry and Information Industry Investment Fund (Limited Partnership).

Major Events

(II) Equity Transfer and Changes in Registered Capital of Huatai United Securities

1. Invalid capital contribution of Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司)

On May 30, 2014, Huatai United Securities convened the first extraordinary general meeting for 2014 due to the invalid capital contribution of Huacheng Investment Management Co., Ltd, its nominal shareholder. At the meeting, the Resolutions on the Capital Reduction of Huatai United Securities Co., Ltd. due to the Invalid Capital Contribution of Huacheng Investment Management Co., Ltd. was approved. On November 14, 2014, the Approval on the Change in Registered Capital of Huatai United Securities (Shen Zheng Ju Xu Ke Zi [2014] No. 174) was approved by Shenzhen Securities Regulatory Bureau, allowing Huatai United Securities to reduce its registered capital from RMB1,000 million to RMB997.48 million. The industrial and commercial registration of the change was completed on May 18, 2015, after which the registered capital of Huatai United Securities was changed from RMB1,000 million to RMB997.48 million, the number of its shareholders was decreased from six to five and the shareholding percentage of each shareholder was adjusted accordingly.

2. Equity Transfer from China Great Wall Computer Group Company Limited (長城計算器集團公司)

On July 14, 2014, Huatai Securities acquired the equity interest of RMB2.7 million (representing 0.27% of the total registered capital) in Huatai United Securities held by China Great Wall Computer Group Company Limited through auction on the online auction platform of Shenzhen United Assets and Equity Exchange. The industrial and commercial registration of the change was completed on May 28, 2015, after which the number of shareholders of Huatai United Securities was decreased from five to four and the capital contribution of Huatai Securities was increased to RMB988.46 million, representing 99.10% of the total.

3. Equity Transfer from Xiamen Jianchang Property Development Co., Ltd. (廈門建昌房地產開發有限公司)

On December 25, 2014, Xiamen Jianchang Property Development Co., Ltd. issued a letter to Huatai United Securities to declare its intention to transfer its equity interest of RMB6.21 million in Huatai United Securities (representing 0.62% of the total capital contribution) to Huatai Securities. On January 19, 2015, the first extraordinary general meeting of Huatai United Securities for 2015 considered and approved the relevant resolutions. On January 30, 2015, an equity transfer agreement was executed. The industrial and commercial registration of the change was completed on July 22, 2015, after which the number of shareholders of Huatai United Securities was changed to three and Huatai Securities held RMB994.67 million or 99.72% of the total equity.

Major Events

(III) Changes in registered capital and address of Huatai Asset Management (華泰資管公司)

Huatai Asset Management completed the registration of the change of registered capital from RMB300 million to RMB1 billion on October 14, 2015. And its address was changed to 21/F, No. 18 Oriental Road, Pilot Zone of China (Shanghai) Free Trade Area.

(IV) Subsidiaries newly incorporated by Huatai Financial Holdings (Hong Kong) Limited (華泰金融(香港)公司)

During the Reporting Period, Huatai Financial Holdings (Hong Kong) Limited incorporated 11 subsidiaries, including HTSC LIMITED, Principle Solution Group Limited, Lucid Elegant Limited, Pioneer Reward Limited, Pioneer Reward Investment Limited, Pioneer Return Limited, Pioneer Return Holdings Limited, Pioneer Festive Limited, Huatai Principal Investment I Limited, Lead Talent Enterprises Limited and Huatai Principal Investment Group Limited.

(V) Subsidiary invested by Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司)

During the Reporting Period, Huatai Innovative Investment Co., Ltd. injected RMB70 million in the registered capital of Huatai Rising (Shanghai) Investment Co., Ltd., its wholly owned subsidiary in Shanghai Free Trade Zone. Huatai Innovative Investment Co., Ltd. carried out commodity business through this subsidiary.

(VI) Subsidiaries newly incorporated by Huatai Futures Co., Ltd. (華泰期貨)

On September 17, 2015, Huatai Futures Co., Ltd and Tibetan Fumao Investment Management Co., Ltd. co-founded Huatai Capital Management (Hong Kong) Co., Ltd., a joint venture, with a registered capital of HKD33.3 million, and Huatai Futures Co., Ltd. held 70% of its shares. Huai (Hong Kong) Futures Co., Ltd. was incorporated by Huatai Capital Management (Hong Kong) Co., Ltd. with the business registration completed on October 27, 2015. Currently, it is preparing to apply for the license of futures operation with the SFC of Hong Kong. As of the end of 2015, the registered capitals for Huatai Capital Management (Hong Kong) Co., Ltd. and Huai (Hong Kong) Futures Co., Ltd. had not been transferred and received.

(VII) The Company acquired the equity held by GP Capital Co., Ltd.

On October 20, 2015, the fifth shareholders meeting in 2015 of GP Capital Co., Ltd. agreed to enable the transfer of 1% of its equity held by Shanghai Yuanjian Investment Co., Ltd. (上海遠見投資有限公司) to the Company, and the relevant formalities are now being handled.

Major Events

(VIII) Relevant Details of corporate bonds and subordinated bonds

1. For information about corporate bonds, please refer to the section of “Corporate Bonds”

The Company published the “Announcement on Tracking Rating of 2013 Corporate Bonds of Huatai Securities Co., Ltd. (华泰证券股份有限公司關於2013年公司債券跟蹤評級結果的公告)” in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn) on April 7, 2015.

During the Reporting Period, the Company did not get involved or possibly get involved in any material litigation that may affect our ability to settle our bonds in due course.

During the Reporting Period, there was no event that may materially change the rating of credit of our bonds and exert any impact on our ability to settle our bonds in due course, and there was no such rumor in the market.

2. Subordinated bonds

Abbreviation of Bond	Principal (Unit: RMB)	Coupon		Value date	Due date
		rate (%)			
14 Huatai 01	3,000,000,000.00	5.95		2014.4.21	2015.4.21
14 Huatai 02	3,000,000,000.00	6.15		2014.4.21	2016.4.21
14 Huatai 03	2,000,000,000.00	5.70		2014.9.29	2017.9.29
14 Huatai 04	4,000,000,000.00	5.90		2014.9.29	2018.9.29
14 Huatai 05	4,000,000,000.00	5.10		2014.11.21	2015.11.21
15 Huatai 01	6,000,000,000.00	5.90		2015.1.23	2017.1.23
15 Huatai 02	7,000,000,000.00	5.60		2015.4.21	2017.4.21
15 Huatai 03	5,000,000,000.00	5.80		2015.4.21	2020.4.21
15 Huatai 04	18,000,000,000.00	5.50		2015.6.26	2017.6.26
15 Huataiqi	600,000,000.00	5.80		2015.7.22	2019.7.22
Total	52,600,000,000.00				

Major Events

During the Reporting Period, the Company issued subordinated bonds of RMB36,000 million in total, of which RMB31,000 million were long-term subordinated bonds with a maturity of two years, RMB5,000 million were long-term subordinated bonds with a maturity of five years. The proceeds from the issuance of above subordinated bonds were fully used in replenishing the working capital of the Company and expanding the business of margin financing and securities lending, stock repurchase and securities-backed lending. The use of proceeds was in compliance with the prospectus. Huatai Futures Co., Ltd. issued a tranche of four-year subordinated bonds (with issuer redemption option at the end of the first year) carrying an amount of RMB600 million, and the coupon rate is 5.8% (if it is not redeemed in the first year, the coupon rate will be 7.8%). The ending date of the trading is July 22, 2019 (July 22, 2016, if the option being exercised).

For the settlement of subordinated bonds during the Reporting Period, please refer to the section of “Corporate Bonds”.

During the Reporting Period, the Company did not get involved or possibly get involved in any material investment or connected transaction that may affect the settlement of the principal and interest payment of our subordinated bonds.

During the Reporting Period, the Company did not have any other information that could affect the holders of its subordinated bonds materially.

3. Short-term corporate bonds

For the settlement of short-term corporate bonds and their interest payment during the Reporting Period, please refer to the section of “Corporate Bonds”.

(IX) Short-term financial bills

During the Reporting Period, the Company issued four tranches of short-term financial bills with an aggregate amount of RMB11 billion and settled seven tranches of short-term financial bills with an aggregate amount of RMB19.5 billion. For the settlement of such bills and their interest payment, please refer to the section of “Corporate Bonds”.

In September 2015, the Company received the Notice of PBOC on the Issuance of Short-term Financing Bills by Huatai Securities Co., Ltd. (Yin Fa [2015] No. 269, the “Notice”) (《中國人民銀行關於華泰證券股份有限公司發行短期融資券的通知》(銀發[2015]269號)). In the Notice, PBOC verified that the maximum balance of the outstanding short-term financing bills of the Company was RMB11.8 billion with a period of validity of one year. During the period of validity, the Company was able to issue short-term financing bills at its own discretion.

Major Events

(X) Huatai International Finance I Limited, a special-purpose company subordinated to Huatai Financial Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company, paid USD7.25 million as the interests for offshore bonds on April 8, 2015 and October 8, 2015 respectively, or totally USD14.50 million for the year.

(XI) Changes of directors in Huatai Financial Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company

During the Reporting Period, Mr. Jiang Jian and Mr. Lu Ting held the office of directors in Huatai Financial Holdings (Hong Kong) Limited; Mr. Wu Wanshan, Mr. Zhang Haibo and Mr. Zhang Tao were no longer the directors of Huatai Financial Holdings (Hong Kong) Limited. The incumbent directors of Huatai Financial Holdings (Hong Kong) Limited are Zhou Yi, Jiang Jian, Lu Rong and Lu Ting.

(XII) Establishment of stock compensation plan of the Company

During the Reporting Period, the 23rd meeting of the third session of the Board and the first EGM in 2015 considered and passed the Proposal on the Establishment of Stock Compensation Plan of the Company which approved the Company to adopt the stock compensation plan and the general framework scheme. The operation management was approved and authorized to deal with all the matters regarding the establishment of stock compensation plans in their absolute discretion in compliance with the relevant laws and regulations and the advices and suggestions of the regulatory authorities, under the framework and principle considered and passed by the General Meeting, and in line with the principle of safeguarding the maximum interests of the shareholders. As of the disclosing date of this annual report, the stock compensation plan of the Company has not been put in practice.

(XIII) The executive director and president of the Company Mr. Zhou Yi acts as the legal representative of the Company

On December 18, 2015, the Board received a written resignation report from the Company's executive director and chairman of the Board Mr. Wu Wanshan notifying the Company of his resignation from his duties as an executive director and chairman of the Third Session of the Board and as chairman of the Development Strategy Committee due to work allocation. On December 24, 2015, the 26th meeting of the Board was convened and the Resolution on Recommending the Candidate to Perform the Duties of Legal Representative of the Company was approved and it was resolved that the executive director and president of the Company would carry out the duty of acting as the legal representative of the Company. Such performance of duty came into effect as at the date of approval of the Board meeting with the period not exceeding 6 months.

Major Events

(XIV) During the Reporting Period, the Company disclosed the following important matters in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn):

No.	Event	Date of publication
1	Reminder Notice of Reduction of Shareholding in HTSC by Jiangsu High Hope International Group Co., Ltd.	2015-01-13
2	Announcement by HTSC on Issuance Results for the First Tranche of Short-term Financing Bills of 2015	2015-01-17
3	Announcement by HTSC on the Appointment of Zhou Yong as Director	2015-01-23
4	Announcement by HTSC on Resolutions at the 15th Meeting of the Third Session of the Board of Directors (application for the brokerage business in equity options, application for the proprietary trading business in ordinary options, application for trading business in professional option, overall expansion of the margin financing and securities lending business of the Company, etc.)	2015-01-24
5	Announcement by HTSC on Estimated Profit Increase for Annual Results in 2014	2015-01-24
6	Announcement on Receipt of Approval to Be a Stock Option Trading Participant on Shanghai Stock Exchange	2015-01-24
7	Announcement by HTSC on Issuance Results for the First Tranche of Subordinated Bonds of 2015	2015-01-24
8	Announcement by HTSC on Relocation of Headquarters	2015-01-29
9	Announcement by HTSC on Receipt of Approval of Qualification to Conduct Stock Options Market Making Business	2015-02-04
10	Announcement by HTSC on Increase of Registered Capital of Huatai Zijin Investment Co., Ltd.	2015-02-06
11	Announcement by HTSC on Issuance Results for the Second Tranche of Short-term Financing Bills of 2015	2015-02-11
12	Announcement on Submission of Resignation by Wang Huijuan, the Director of HTSC.	2015-02-17
13	Report on Performance of Duties of Audit Committee under the Board of Directors of HTSC in 2014.	2015-03-09

Major Events

No.	Event	Date of publication
14	Announcement by HTSC on Resolutions at the 16th Meeting of the Third Session of the Board of Directors (profits distribution for 2014, re-appointment of accounting firm, purchase of liability insurance for the directors, supervisors and senior management of the Company, provision of net capital guarantee for Huatai Securities (Shanghai) Asset Management Co., Ltd., a wholly-owned subsidiary of the Company, inclusion of market-making business for share option in the business scope of the Company, amendment to the Articles of Association, public issuance of corporate bonds of the Company, re-election of the member of the Third Session of the Board to fill the vacancy, adjustment of the members of the development and strategies committee under the Third Session of the Board, amendment to the Decision Making System for Connected Transactions, amendment to Decision Making System for External Guarantee, amendment to the Terms of Reference of the Special Committees under the Board of Directors, amendment to the Working Rules of the President, amendment to the Working Rules of the Secretary to the Board, amendment to the Administrative Measures regarding Information Disclosure, Amendment to the Administrative System regarding Investor Relationship, Amendment to the Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management, amendment to the System regarding Insider Registration and Management and Confidentiality, amendment to Compliance Management System and amendment to the Accounting System)	2015-03-09
15	Announcement by HTSC on Resolutions at the 8th Meeting of the Third Session of the Supervisory Committee (amendment to the Accounting system and other resolutions)	2015-03-09
16	Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2015	2015-03-09
17	Announcement by HTSC on Issuance Results for the Third Tranche of Short-term Financing Bills of 2015	2015-03-12
18	Announcement by HTSC on Submission of Listing Application for the Issuance of Overseas Listed Foreign Shares (H Share) to HKEX and on the Publication of Application Proofs and Related Materials	2015-03-17
19	Announcement by HTSC on Resolutions at the 17th Meeting of the Third Session of the Board of Directors (expansion of the business of stock-pledged repurchase transaction of the Company)	2015-03-31
20	Announcement by HTSC on Resolutions at 2014 Annual General Meeting	2015-03-31
21	Announcement by HTSC on Results of Inspection on the Margin financing and Securities Lending Business conducted by the CSRC	2015-04-07

Major Events

No.	Event	Date of publication
22	Announcement by HTSC on Tracking Rating of Corporate Bonds Issued in 2013	2015-04-07
23	Announcement by HTSC on Issuance Results for the Fourth Tranche of Short-term Financing Bills of 2015	2015-04-11
24	Announcement by HTSC on Settlement and Payment of Interest in 2015 for the First Tranche of Subordinated Bonds under Private Placement in 2014	2015-04-14
25	Brief Report on Changes in Equity of HTSC (Guohua Energy Investment Co., Ltd.)	2015-04-15
26	Reminder Notice of Changes in Equity of HTSC	2015-04-15
27	Announcement by HTSC on Issuance Results for the Second Tranche of Subordinated Bonds of 2015	2015-04-22
28	Announcement by HTSC on Change of Name of Huatai Greatwall Futures Co., Ltd., a subsidiary of HTSC.	2015-04-22
29	Announcement by HTSC on Resolutions at the 18th Meeting of the Third Session of the Board of Directors (expansion of the business of foreign exchange and other resolutions)	2015-04-23
30	Announcement on Implementation of Profits Distribution in 2014 of HTSC	2015-04-24
31	Announcement by HTSC on Receipt of Approval from the CSRC to Issue Overseas Listed Foreign Shares	2015-04-25
32	Announcement by HTSC on Appointment of Lee Chi Ming as Independent Director and Other Matters	2015-05-01
33	Announcement by HTSC on Resolutions at the 19th Meeting of the Third Session of the Board of Directors (adjustment of the members of audit committee and development and strategies committee under the Third Session of the Board of Directors of the Company)	2015-05-07
34	Announcement by HTSC on Receipt of Consideration of Stock Exchange of Hong Kong Limited regarding Issuance of Overseas Listed Foreign Shares	2015-05-09
35	Announcement by HTSC on Publication of PHIP for Issuance of H shares	2015-05-11
36	Announcement by HTSC on Resolutions at the 20th Meeting of the Third Session of the Board of Directors (decision on the global offering of H shares (Hong Kong Public Offering and International Offering) and the listing on HKEX)	2015-05-13
37	Announcement by HTSC on Publication of Updated PHIP for Issuance of H shares	2015-05-18
38	Announcement by HTSC on Publication of H Share Prospectus, Price Range for Issuance of H Share and Matters regarding Hong Kong Public Offering	2015-05-19
39	Announcement by HTSC on Price Determination for Public Offering of Overseas Listed Foreign Shares (H Share)	2015-05-25
40	Announcement by HTSC on Interest Payment in 2015 for Corporate Bonds Issued in 2013	2015-05-28
41	Announcement by HTSC on Allotment Results of Overseas Listed Foreign Shares (H Share)	2015-05-29

Major Events

No.	Event	Date of publication
42	Announcement by HTSC on Resolutions at the 21st Meeting of the Third Session of the Board of Directors (application for private placement financing business for listed companies and formulation of Programs for Continuous Improvement in Internal Control in 2015)	2015-05-30
43	Announcement by HTSC on Change in Shareholding of Shareholders with over 5% Ownership	2015-06-01
44	Announcement by HTSC on Listing and Trading of Overseas Listed Foreign Shares (H Share)	2015-06-01
45	Announcement by HTSC on Reduction of State-owned Shares regarding Issuance of Overseas Listed Foreign Shares (H Share)	2015-06-01
46	Announcement by HTSC on Receipt of Letter of No Objection to the Innovative Proposal on One-way Video Account Opening	2015-06-09
47	Announcement by HTSC on Change in Net Capital	2015-06-09
48	Announcement by HTSC on Establishment of Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)	2015-06-13
49	Announcement by HTSC on Resolutions at the 22nd Meeting of the Third Session of the Board of Directors (expansion of margin financing and securities lending business, enlargement of stock pledged repurchase transaction business and injection of additional capital to Huatai Zijin Investment Co., Ltd.)	2015-06-16
50	Announcement by HTSC on Partial Exercise of Over-allotment Option, Stabilization Actions and End of Stabilization Period	2015-06-20
51	Announcement by HTSC on Reduction of State-owned Shares and Change in Shareholding after Partial Exercise of Over-allotment Option	2015-06-24
52	Announcement by HTSC on Issuance of the First Tranche of Corporate Bonds of 2015	2015-06-25
53	Announcement by HTSC on Receipt of Approval on the Public Issuance of Corporate Bonds by the CRSC	2015-06-25
54	Announcement by HTSC on Completion of Issuance of the Third Tranche of Subordinated Bonds of 2015	2015-06-27
55	Announcement by HTSC on Coupon Rate for the First Tranche of Corporate Bonds of 2015	2015-06-29
56	Announcement by HTSC on Issuance Results for the First Tranche of Corporate Bonds of 2015	2015-07-02
57	Announcement by HTSC on Signing of Agreement regarding Investment in Blue-chips on ETF with China Securities Finance	2015-07-08
58	Announcement by HTSC on Changes of Articles of Association and Registered Address	2015-07-14

Major Events

No.	Event	Date of publication
59	Announcement by HTSC on Collective Wealth Management Plan of Purchasing H shares of the Company by Executive Directors, Employee Supervisors, Senior Management and Employees	2015-07-16
60	Announcement by HTSC on Interim Results of Operation for 2015	2015-07-28
61	Announcement by HTSC on Listing of the First Tranche of Corporate Bonds of 2015	2015-07-29
62	Announcement by HTSC on Matters Related to the Intent of Entrusting Shanghai Branch of China Securities Depository and Clearing Company Limited with Settlement of Bonds and Payment of Interest Thereof	2015-07-29
63	Announcement by HTSC on Settlement and Payment of Interest in 2015 for the First Tranche of Short-term Corporate Bonds Issued in 2014	2015-08-11
64	Reminder Notice by HTSC of Exercise of Redemption Option as Issuer of "14 Huatai 03" Subordinated Bonds	2015-08-22、25、26
65	Announcement by HTSC on Resolutions at the 10th Meeting of the Third Session of the Supervisory Committee (election of Ms. Liu Zhihong as member of the third session of the Supervisory Committee)	2015-08-22
66	Announcement by HTSC on Resolutions at the 23rd Meeting of the Third Session of the Board of Directors (election of Ms. Xu Min as member of the third session of the Board of Directors, election of Mr. Chen Zhibin as an independent director of the third session of the Board of Directors, adjustment of members of the compliance and risk management committee and audit committee under the third session of the Board of Directors, general mandate for the issuance of domestic debt financing instruments, adjustment of the internal organization, amendment to provisions in Remuneration Management System, establishment of stock compensation plan, adjustment of investment amount in Huatai Securities square project and convening of the first EGM of 2015)	2015-08-22
67	Announcement by HTSC on Receipt of Investigation Notice From the CSRC	2015-08-26
68	Announcement by HTSC on Renewal of Agreement regarding the Investment in Blue-chips and Others with China Securities Finance	2015-09-02
69	Announcement by HTSC on Receipt of Registration Notification of Short-term Financing Bills from PBOC	2015-09-03
70	Announcement by HTSC on Receipt of Advance Notice of Administrative Penalty from the CSRC	2015-09-12
71	Announcement by HTSC on Exercise of Redemption of "14 Huatai 03" Subordinated Bonds	2015-09-16
72	Announcement by HTSC on Settlement and Payment of Interest for the Second Tranche of Subordinated Bonds under Private Placement in 2014	2015-09-21

Major Events

No.	Event	Date of publication
73	Announcement by HTSC on Results of Exercise of Redemption of "14 Huatai 03" Subordinated Bonds and Delisting Thereof	2015-09-21
74	Announcement by HTSC on Completion of Settlement for the Second Tranche of Subordinated Bonds Issued in 2014	2015-09-29
75	Announcement by HTSC on Resignation of Xu Min as Non-executive Director, Chen Zhibin as Independent Non-executive Director and Ying Wenlu as Non-executive Director	2015-10-10
76	Announcement by HTSC on Appointment of Liu Zhihong as Supervisor and Resignation of Mao Huipeng as Supervisor	2015-10-10
77	Announcement by HTSC on Resolutions of the First EGM in 2015 (election of Ms. Xu Min as Non-executive Director of the Third Session of the Board of Directors, election of Mr. Chen Zhibin as independent non-executive director of the third session of the Board of Directors, election of Ms. Liu Zhihong as member of the third session of the Supervisory Committee, establishment of stock compensation plan and general mandate for the issuance of domestic Debt Financing Instruments)	2015-10-10
78	Announcement by HTSC on Resolutions at the 11th Meeting of the Third Session of the Supervisory Committee (change of standard for bad debt provision in financing businesses)	2015-10-31
79	Announcement by HTSC on Resolutions at the 24th Meeting of the Third Session of the Board of Directors (change of standard for bad debt provision in financing businesses)	2015-10-31
80	Reminder Notice of Reduction of Shareholding in HTSC by Jiangsu SOHO Holdings Group Co., Ltd.	2015-11-07
81	Announcement by HTSC on Settlement and Payment of Interest for the Third Tranche of Subordinated Bonds under Private Placement in 2014	2015-11-16
82	Reminder Notice of Reduction of Shareholding in HTSC by Jiangsu SOHO Holdings Group Co., Ltd.	2015-12-03
83	Announcement by HTSC on Resignation of Zhang Jie as Independent Non-executive Director	2015-12-05
84	Announcement by HTSC on Download of Zhangle Wealth Management Application (Mobile App)	2015-12-07
85	Announcement by HTSC on Submission of Resignation by Shen Kunrong as Independent Non-executive Director	2015-12-08
86	Announcement by HTSC on Resignation of Wu Wanshan as Chairman of the Board	2015-12-19
87	Announcement by HTSC on Submission of Resignation by Chen Zhibin as Independent Non-executive Director	2015-12-22

Major Events

No.	Event	Date of publication
88	Announcement by HTSC on Resolutions at the 25th Meeting of the Third Session of the Board of Directors (adjustment of members of Remuneration and Appraisal Committee and Nomination Committee under the Third Session of the Board of Directors)	2015-12-24
89	Announcement by HTSC on Resolutions at the 26th Meeting of the Third Session of the Board of Directors (proposal on nominating candidates of legal representative of the Company)	2015-12-25

XV. FULFILLING OF CORPORATE SOCIAL RESPONSIBILITY

(I) Works of Social Responsibility

The Company is listed as a financial company on SSE, and it is selected as a constituent of SSE Corporate Governance Index and SSE 180 Corporate Governance Index. While disclosing the 2015 Annual Report, the Company will also disclose 2015 Annual CRS Report of Huatai Securities Co., Ltd. For details of the report, please check the website of SSE <http://www.sse.com.cn> on March 30, 2016.

(II) Statement on the Environmental Protection Practice of Listed Companies and their Subsidiaries in Severely Polluting Industries Specified in the Regulations issued by National Environmental Protection Authorities

The Company did not have any material environmental problem or other material social safety problem during the Reporting Period.

XVI. CONVERTIBLE CORPORATE BONDS

The Company did not have any issues concerning the convertible corporate bonds during the Reporting Period.

XVII. IMPORTANT MATTERS AFTER THE BALANCE SHEET DATE

(I) Changes in shareholders, directors, supervisors and senior management

1. Upon consideration and approval by the 27th meeting of the third session of the Board of Directors on January 27, 2016, and by the first EGM in 2016 on March 18, 2016, Mr. Chen Chuanming and Mr. Yang Xiongsheng were elected as independent non-executive directors of the third session of the Board of Directors. From March 18, 2016, Mr. Chen Chuanming succeeded Mr. Shen Kurong to perform the duties as independent non-executive director of the third session of the Board and hold the office till the end of this session. Subject to the approval of their qualifications as independent director of securities company by the securities regulatory authorities, Mr. Yang Xiongsheng will perform the duties as independent non-executive directors of the third session of the Board of Directors and hold the office till the end of this session of the Board of Directors.

Major Events

2. On March 22, 2016, the Board of directors received the written resignation of Mr. Qi Liang, the Deputy Chairman of the Company. Mr. Qi Liang resigned the office as the Deputy Chairman of the Company due to personal work changes, and the resignation took effect from the date of submission.
3. On March 25, 2016, the Supervisory Committee received the written resignation from Ms. Dong Junzheng, the Supervisor of the Company. Ms. Dong Junzheng resigned the office as the Supervisor of the Third Session of the Supervisory Committee of the Company due to personal work changes, and the resignation took effect from the date of submission.

(II) Proposal or resolution on annual distribution

As audited by KPMG Huazhen LLP, the profit for the year of the parent company for 2015 was RMB9,145,222,410.50. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises (《金融企業財務規則》) and the Articles of Association of the Company, the Company had withdrawn 10% statutory surplus reserve, 10% general risk provision and 10% trading risk provision of RMB2,743,566,723.15 in total, after which, the profit available for distribution for the year was RMB6,401,655,687.35. Together with the balance of undistributed profit from previous years amounting to RMB7,327,694,049.30, and after deducting the dividend of RMB2,800,000,000.00 distributed in accordance with 2014 profit distribution plan, the accumulated profit available for cash distribution to investors for the year was RMB10,929,349,736.65.

According to the relevant requirements of the Regulatory Guideline No.3 for Listed Companies – Cash Dividend of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) and the Guidelines of Shanghai Stock Exchange for the Distribution of Cash Dividend by Listed Companies (《上海證券交易所上市公司現金分紅指引》) and based on the actual needs of the Company for business development, the profit distribution plan is proposed as follows:

The Company will make profit distribution by way of cash dividend for 2015, to distribute cash dividend to all the holders of A shares and H shares in the registries on the date of cash dividend distribution for 2015, the amount of which will be RMB5.00 (tax included) per 10 shares in cash based on the aggregate share capital of 7,162,768,800 shares as of the end of 2015, with a total amount of RMB3,581,384,400.00. The undistributed profit of RMB7,347,965,336.65 will be carried forward to the next year. Cash dividend is denominated and declared in RMB and paid to holders of A shares in RMB and to holders of H shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD issued by the People's Bank of China for the five business days before the convention of the 2015 annual general meeting of the Company.

This proposal of profit distribution will be submitted to the 2015 Annual General Meeting of the Company for consideration, and the annual dividends for 2015 were expected to be distributed to the shareholders of the Company within two months after the pass of the proposal and not later than August 31, 2016,

Major Events

(III) Material Investment and financing activities

1. Increase of investment in Huatai Zijin Investment Co., Ltd by the Company

Huatai Zijin Investment Co., Ltd completed the industrial and commercial registration of changes on January 18, 2016, and its registered capital was increased from RMB2.35 billion to RMB2.75 billion.

2. Investment of RMB10 million for equity participation in Suzhou Equity Exchange Center Co., Ltd by Jiangsu Equity Exchange Co., Ltd.

In order to facilitate the business development of Jiangsu Equity Exchange Center in Suzhou, upon approval of People's Government of Jiangsu Province and Financial Office of Jiangsu Province, Suzhou Equity Exchange Center Co., Ltd was founded, jointly by Suzhou Industrial Park Yuanhe Holdings Co., Ltd., Jiangsu Equity Exchange Center Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., Dongwu Securities Co., Ltd., Suzhou Trust Co., Ltd., and Suzhou Property Rights Exchange Center. In October 2015, an extraordinary meeting of the board of directors of Jiangsu Equity Exchange Co., Ltd. passed the resolution that agreed to invest RMB10 million for equity participation in Suzhou Equity Exchange Center Co., Ltd (in fund-raising), accounting for 20% of the total contribution. Jiangsu Equity Exchange Co., Ltd. completed the contribution in January 2016, and Suzhou Equity Exchange Co., Ltd is in preparation to open business.

3. Huatai Zijin Investment has established the following subsidiaries: Yili Huatai Ruida Equity Investment Management Co., Ltd. (伊犁華泰瑞達股權投資管理有限公司), Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) (伊犁華泰瑞達股權投資管理合夥企業(有限合夥)) and Yili Suxin Investment Fund (Limited Partnership) (伊犁蘇新投資基金合夥企業(有限合夥))

Huatai Zijin Investment promoted and established Yili Huatai Ruida Equity Investment Management Co., Ltd. on November 24, 2015, with a registered capital of RMB2 million, of which Huatai Zijin Investment subscribed for a contribution of RMB1.02 million, accounting for 51%.

Yili Huatai Ruida Equity Investment Management Co., Ltd. promoted and established Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) on December 30, 2015. Yili Huatai Ruida Equity Investment Management Co., Ltd. as executive partner and general partner, subscribed for a contribution of RMB20,000, accounting for 1% of the total subscription for contribution, and assumed unlimited liability; Huatai Zijin Investment as limited partner, subscribed for a contribution of RMB1.02 million, accounting for 51% of the total subscription for contribution, and assumed limited liability. On March 15, 2016, Huatai Zijin Investment paid a contribution of RMB162,300 to Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership).

Major Events

Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) promoted and established Yili Suxin Investment Fund (Limited Partnership) on February 19, 2016. Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) as executive partner, general partner and fund manager, subscribed for a contribution of RMB1 million, accounting for 0.0526% of the total subscription for contribution, and assumed unlimited liability; Huatai Zijin Investment as limited partner, subscribed for a contribution of RMB469 million, accounting for 24.68% of the total subscription for contribution, and assumed limited liability. On March 11, 2016, Huatai Zijin Investment paid a contribution of RMB140.7 million to Yili Suxin Investment Fund (Limited Partnership).

(IV) Material litigation and arbitration

After the Reporting Period, the company did not have any material litigation and arbitration involving an amount of over RMB10 million.

(V) Business combination or disposal of subsidiary

After the Reporting Period, the Company did not conduct any business combination or disposal of subsidiary.

(VI) Establishment and Relocation of Securities Sales Departments and Branches

No.	Name of sales department before relocation	Name of sales department after relocation	Address	Date of receipt of license
1	Dongfeng West Road Securities Sales Department, Guangzhou	Huangpu Avenue West Securities Sales Department, Guangzhou	Room 1509, No. 638, Huangpu Avenue West, Tianhe District, Guangzhou	2016-01-04
2	Yangguang New Road Securities Sales Department, Jinan	Huayuan Road Securities Sales Department, Jinan	F/1, No. 35, Huayuan Road, Licheng District, Jinan, Shandong	2016-02-03
3	Xinhua Road Securities Sales Department, Mudanjiang	Xiyitiao Road Securities Sales Department, Mudanjiang	No. 236, Xiyitiao Road, Xi'an District, Mudanjiang, Heilongjiang	2016-02-24
4	Securities Sales Department, Zhongshan South Road, Xuzhou	Jianguo West Road Securities Sales Department, Xuzhou	Room 109, F/1 & Room 205, F/2, Caifu Square 1A Building, No. 75, Jianguo West Road Securities Sales Department, Xuzhou, Jiangsu	2016-03-14

(VII) Other situations that might materially affect the financial position, results of operation and cash flow of the Company after the Reporting Period

After the Reporting Period, the Company did not experience any situation that might materially affect the financial position, results of operation and cash flow.

Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: Shares

	Before the change		Increase/decrease from the change (+, -)					After the change		
	Number of shares	Percentage (%)	Issue of new shares	Bonus shares	Shares converted from surplus reserve			Sub-total	Number of shares	Percentage (%)
					Others	Others	Others			
I. Shares subject to restriction on sales	0	0	0	0	0	0	0	0	0	0
II. Outstanding shares not subject										
to restriction on sales	5,600,000,000	100	1,562,768,800	0	0	0	1,562,768,800	7,162,768,800	100	
1. RMB ordinary shares	5,600,000,000	100	0			-156,276,880	-156,276,880	5,443,723,120	76	
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	0	0	1,562,768,800	0	0	156,276,880	1,719,045,680	1,719,045,680	24	
4. Others	0	0	0	0	0	0	0	0	0	0
III. Total number of ordinary shares	5,600,000,000	100	1,562,768,800	0	0	0	1,562,768,800	7,162,768,800	100	

2. Details of changes in ordinary shares

According to the Approval for the Issuance of Overseas Listed Foreign Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.685) (《關於核准华泰証券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]685號)) by the CSRC and as approved by the Hong Kong Stock Exchange, 1,400,000,000 overseas listed foreign shares (H Shares) issued by the Company were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange on June 1, 2015. The joint global coordinators had partially exercised the over-allotment option and requested the Company to issue 162,768,800 additional H shares which were listed for trading on the Main Board of the Hong Kong Stock Exchange on June 24, 2015.

Changes in Ordinary Shares and Shareholders

In accordance with the Provisional Measures on Reducing State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No. 22) (《減持國有股籌集社會保障資金管理暫行辦法》(國發[2001] 22號)) issued by the State Council, 21 state-owned shareholders of the Company, including Jiangsu Guoxin, shall reduce their state-owned shares, by converting their 156,276,880 domestic shares of the Company (A Shares) in aggregate, representing 10% of H Shares of the issuance (including additional H Shares issued pursuant to the partial exercise of the over-allotment option), into H Shares to be held by the Social Security Fund.

As at the end of the Reporting Period, the Company had a total share capital of 7,162,768,800 Shares with 5,443,723,120 A Shares (representing 76% of the total share capital) and 1,719,045,680 H Shares (representing 24% of the total share capital).

3. Effects on financial indicators in the most recent year and period (such as earnings per share and net asset per share) of changes in ordinary shares (if any)

In June 2015, after the accomplishment of public issuance of H share certificate, the total shares of the Company increased from 5,600,000,000 before the issuance to 7,162,768,800 shares after the issuance, with the share capital increased from RMB5,600,000,000 before the issuance to RMB7,162,768,800 after the issuance. The capital reserve was increased by RMB28,590,928,044.06. The total assets and net assets of the Company were increased accordingly. Calculated on the basis of the 5,600,000,000 shares before this round of public issuance of H Shares, earnings per share and net assets per share for 2015 were RMB1.9102 and RMB9.04 respectively, whereas calculated on the basis of the 7,162,768,800 shares after this round of public issuance of H Shares, earnings per share and net assets per share for 2015 were RMB1.65 and RMB11.28 respectively.

(II) Changes in shares subject to selling restrictions

Shares of the Company all belong to outstanding shares with no shares subject to selling restricts.

Changes in Ordinary Shares and Shareholders

II. THE ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities as of the end of the Reporting Period

Unit: Shares Currency: RMB

Types of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be listed for trading	Ending date of the trading
Ordinary shares						
H Shares	May 19, 2015	HK\$24.80	1,400,000,000	June 1, 2015	1,400,000,000	
H Shares (over-allotment)	June 19, 2015	HK\$24.80	162,768,800	June 24, 2015	162,768,800	
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Corporate bonds	June 5, 2013	4.68%	RMB4.0 billion	July 17, 2013	RMB4.0 billion	June 5, 2018
Corporate bonds	June 5, 2013	5.10%	RMB6.0 billion	July 17, 2013	RMB6.0 billion	June 5, 2023
Corporate bonds	June 29, 2015	4.20%	RMB6.6 billion	July 30, 2015	RMB6.6 billion	June 29, 2018
Subordinated bonds	April 18, 2014	6.15%	RMB3.0 billion	April 21, 2014	RMB3.0 billion	April 21, 2016
Subordinated bonds	September 26, 2014	5.70%	RMB2.0 billion	September 29, 2014	RMB2.0 billion	September 29, 2017
Subordinated bonds	September 26, 2014	5.90%	RMB4.0 billion	September 29, 2014	RMB4.0 billion	September 29, 2018
Subordinated bonds	November 19, 2014	5.10%	RMB4.0 billion	November 21, 2014	RMB4.0 billion	November 21, 2015
Subordinated bonds	January 22, 2015	5.90%	RMB6.0 billion	January 23, 2015	RMB6.0 billion	January 23, 2017
Subordinated bonds	April 20, 2015	5.60%	RMB7.0 billion	April 21, 2015	RMB7.0 billion	April 21, 2017
Subordinated bonds	April 20, 2015	5.80%	RMB5.0 billion	April 21, 2015	RMB5.0 billion	April 21, 2020
Subordinated bonds	June 25, 2015	5.50%	RMB18.0 billion	June 26, 2015	RMB18.0 billion	June 26, 2017
Subordinated bonds	July 22, 2015	5.80%	RMB0.6 billion	September 10, 2015	RMB0.6 billion	July 22, 2019
Short-term commercial papers	January 15, 2015	4.77%	RMB3.0 billion	January 16, 2015	RMB3.0 billion	April 16, 2015
Short-term commercial papers	February 9, 2015	4.90%	RMB3.0 billion	February 10, 2015	RMB3.0 billion	May 8, 2015
Short-term commercial papers	March 10, 2015	4.99%	RMB2.0 billion	March 11, 2015	RMB2.0 billion	June 9, 2015
Short-term commercial papers	April 9, 2015	4.80%	RMB3.0 billion	April 10, 2015	RMB3.0 billion	July 9, 2015

Changes in Ordinary Shares and Shareholders

Information of the issuance of securities as of the end of the Reporting Period:

1. Ordinary shares:

On December 11, 2014, the Company held the 4th extraordinary general meeting in 2014, at which it considered and approved the Proposal on the Issuance of H Shares and Listing in Hong Kong. The Company determined the final price of the issuance of H Shares at HK\$24.80 per share (excluding brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) on May 24, 2015. The Company's initial public offering of 1,400,000,000 overseas listed foreign shares (H Shares) were listed on May 19, 2015 and commenced trading on the Main Board of the Hong Kong Stock Exchange on June 1, 2015; and the Company partially exercised the over-allotment option of H shares on June 19, 2015 with 162,768,800 H Shares placed in total, which were listed for trading on the Main Board of the Hong Kong Stock Exchange on June 24, 2015, above with totally 1,562,768,800 H Shares issued. During such period, 21 state-owned shareholders of the Company, including Jiangsu Guoxin, converted their partial domestic shares of the Company (A Shares) into overseas listed foreign shares (H Shares) to be held by NSSF, representing 10% of H Shares actually issued during the public offering, with totally 156,276,880 shares converted.

2. Corporate bonds:

(1) Corporate bonds issued in previous years but still in duration period:

On June 5, 2013, the Company publicly issued the 2013 corporate bonds of Huatai Securities Co., Ltd. to the public investors with an amount of RMB10.0 billion at an issue price of RMB100 per bond, carrying 5-year and 10-year fixed rates. The amount of 5-year bonds came to RMB4.0 billion with 4.68% coupon rate, while the amount of 10-year bonds came to RMB6.0 billion with 5.10% coupon rate. Such bonds were listed for trading in Shanghai Stock Exchange on July 17, 2013. The abbreviation and code for 5-year bonds are 13 Huatai 01 (13華泰01) and 122261, and the amount of the bonds permitted to be listed for trading came to RMB4.0 billion with the trading ended on June 5, 2018; while the abbreviation and code for 10-year bonds are 13 Huatai 02 (13華泰02) and 122262, and the amount of the bonds permitted to be listed for trading came to RMB6.0 billion with the trading ended on June 5, 2023.

Changes in Ordinary Shares and Shareholders

(2) Corporate bonds issued during the Reporting Period:

On March 30, 2015, the Company held the annual general meeting in 2014, at which it considered and approved the public issuance of corporate bonds of no more than RMB7.0 billion (inclusive) with a period of no more than 10 years (inclusive) by the Company. On June 24, 2015, the CSRC approved the public issuance of corporate bonds to the society with par value no more than RMB6.6 billion by the Company via the document of Approval on Public Issuance of Corporate Bonds to Qualified Investors by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1326), with validity within 24 months from the date of approval. On July 1, 2015, the Company completed the issuance of 2015 corporate bonds (first tranche) (Type 1) of Huatai Securities Co., Ltd. with an amount of RMB6.6 billion, three years of period and 4.2% of coupon rate. Such bonds were listed for trading in Shanghai Stock Exchange on July 30, 2015. The abbreviation and code of such bonds are 15 Huatai G1 (15華泰G1) and 122388 respectively.

3. Subordinated bonds:

(1) Subordinated bonds issued in previous years but still in duration period:

On April 18, 2014, the Company non-publicly issued the 2014 first tranche of subordinated bonds carrying 1-year and 2-year fixed rates with an aggregate amount of RMB6.0 billion. The final amount of 1-year bonds (the abbreviation and code of such bonds are 14 Huatai 01 (14華泰01) and 123380) came to RMB3.0 billion with 5.95% coupon rate, and the principal together with the interests had been repaid on April 21, 2015, while the final amount of 2-year bonds (the abbreviation and code of such bonds are 14 Huatai 02 (14華泰02) and 123381), came to RMB3.0 billion with 6.15% coupon rate.

On September 26, 2014, the Company non-publicly issued the 2014 second tranche of subordinated bonds with an amount of RMB6.0 billion. The final amount of 3-year bonds (with redemption option for the issuer at the end of the first year; the abbreviation and code of such bonds are 14 Huatai 03 (14華泰03) and 123343) came to RMB2.0 billion with 5.7% coupon rate, while the final amount of 4-year bonds (with redemption option for the issuer at the end of the second year; the abbreviation and code of such bonds are 14 Huatai 04 (14華泰04) and 123344), came to RMB4.0 billion with 5.9% coupon rate.

On November 19, 2014, the Company non-publicly issued the 2014 third tranche of subordinated bonds (the abbreviation and code of such bonds are 14 Huatai 05 (14華泰05) and 123303) with an amount of RMB4.0 billion, one year of period and 5.1% of coupon rate.

Changes in Ordinary Shares and Shareholders

(2) On December 11, 2014, the Company held the 4th extraordinary general meeting in 2014, at which it considered and approved the issuance of long-term and short-term subordinated bonds by the Company with an amount of no more than RMB50.0 billion (inclusive) and a period of no more than 5 years (inclusive).

(3) ***Subordinated bonds issued during the Reporting Period:***

On January 22, 2015, the Company non-publicly issued the 2015 first tranche of subordinated bonds (the abbreviation and code of such bonds are 15 Huatai 01 (15華泰01) and 123265) with an amount of RMB6.0 billion, two years of period and 5.9% of coupon rate.

On April 20, 2015, the Company non-publicly issued the 2015 second tranche of subordinated bonds with an amount of RMB12.0 billion. The amount of 2-year bonds (with redemption option for the issuer at the end of the first year; the abbreviation and code of such bonds are 15 Huatai 02 (15華泰02) and 123099) came to RMB7.0 billion with 5.6% coupon rate, while the amount of 5-year bonds (with redemption option of the issuer at the end of the third year; the abbreviation and code of such bonds are 15 Huatai 03 (15華泰03) and 123100) came to RMB5.0 billion with 5.8% coupon rate.

On June 25, 2015, the Company non-publicly issued the 2015 third tranche of subordinated bonds (the abbreviation and code of such bonds are 15 Huatai 04 (15華泰04) and 125978) with an amount of RMB18.0 billion, two years of period and 5.5% of coupon rate.

On July 22, 2015, Huatai Futures non-publicly issued the 2015 subordinated bonds of Huatai Futures Co, Ltd. (abbreviation of bond: 15 Huataiqi; bond code: 125917) with an issuance amount of RMB0.6 billion. The issue size was RMB0.6 billion with a term of 4 years with redemption option at the end of the first year and a coupon rate of 5.8% (if it is not redeemed in the first year, the coupon rate will be 7.8%). The ending date of the trading is July 22, 2019 (July 22, 2016 if the option being exercised).

4. **Short-term commercial papers:**

During the Reporting Period, the Company totally issued four tranches of short-term commercial papers with an aggregate amount of RMB11.0 billion, and the principal together with interests had been paid.

Changes in Ordinary Shares and Shareholders

5. Offshore bonds:

On October 8, 2014, Huatai International Finance I Limited, a SPV, established in BVI by the Company's wholly-owned subsidiary Huatai Financial Holdings (Hong Kong) completed the first issuance of offshore bonds. The keep-well agreement and SLC of such bonds were provided by the Company and Bank of China Macao Branch respectively. Such bonds have an A1 (Moody's) credit rating with an amount of US\$400 million, issued under Regulation S, and will be due on October 8, 2019. Such bonds carry a coupon rate of 3.625% that shall be paid semi-annually, and are issued at the price of 99.914/the interest rate of U.S. 5-year government bonds +185 basis points with an interest rate of 3.644%. And the listing place is Hong Kong Stock Exchange.

6. Structured notes:

During the Reporting Period, the Company issued 68th tranche of structured notes with an aggregate amount of RMB24.081 billion. As of December 31, 2015, the balance of structured notes came to RMB10.653 billion.

Save as disclosed above, neither the Company nor any of its subsidiaries had issued or granted any other debt securities, redeemable securities, convertible securities, options, warrants and other similar rights as of the Reporting Period.

(II) Changes in total number of ordinary shares of the Company and shareholders structure and the Company's assets and liabilities structure

During the Reporting Period, because of the issuance and listing of H Shares, the total number of the shares of the Company transferred to 7,162,768,800 shares from 5,600,000,000 shares, with 5,443,723,120 A Shares (representing 76% of the total share capital) and 1,719,045,680 H Shares (representing 24% of the total share capital). For the in assets and liabilities structures of the Company, please refer to the section headed "Management Discussion and Analysis and Report of the Board" — "II. Main Operations during the Reporting Period" — "(II) Analysis of main items in consolidated statement of financial position" of this report.

(III) Information of the existing employee shares

The Company has no employee shares at present.

Changes in Ordinary Shares and Shareholders

III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	151,525
Total number of shareholders of ordinary shares at the end of last month date on which the annual report shall be disclosed	158,429
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual report shall be disclosed	0

Among shareholders of ordinary shares as at the end of the Reporting Period, shareholders of A Shares came to 141,276 and registered shareholders of H Shares came to 10,249;

Among the total number of shareholders of ordinary shares at the end of last month prior to the date on which the annual report shall be disclosed, shareholders of A Shares came to 148,211 and registered shareholders of H Shares came to 10,218.

Changes in Ordinary Shares and Shareholders

(II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Shares

Name of shareholder (in full name)	Shareholding of top ten shareholders						
	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Pledged or frozen shares			
				Number of shares held subject to selling restrictions	Status of shares	Number of shares	Class of shareholder
HKSCC Nominees Limited	1,715,284,460	1,715,284,460	23.9472	0	Nil		Foreign legal person
Jiangsu Guoxin Investment Group Limited	-86,759,006	1,250,928,425	17.4643	0	Nil		State-owned legal person
Jiangsu Communications Holding Company Limited	60,676,048	452,015,418	6.3106	0	Nil		State-owned legal person
Govtor Capital Group Co., Ltd.	-17,971,994	342,028,006	4.7751	0	Nil		State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	-35,597,220	256,587,644	3.5822	0	Nil		State-owned legal person
Jiangsu High Hope International Group Co., Ltd.	-30,864,286	242,847,296	3.3904	0	Nil		State-owned legal person
China Securities Finance Co., Ltd.	212,156,344	212,156,344	2.9619	0	Nil		State-owned legal person
Jiangsu Hiteker Co., Ltd.	-5,780,000	137,403,149	1.9183	0	unknown	136,169,146	Domestic non-state-owned legal person
Central Huijin Assets Management Co., Ltd.	98,222,400	98,222,400	1.3713	0	Nil		State-owned legal person
Jiangsu SOHO International Group Corporation	-10,240,000	96,680,000	1.3498	0	Nil		State-owned legal person

Changes in Ordinary Shares and Shareholders

Shareholding of top ten holders of shares not subject to selling restrictions

Name of shareholder	Number of tradable shares not subject to selling restrictions	Class	Class and number of shares Number
HKSCC Nominees Limited	1,715,284,460	Overseas listed foreign shares	1,715,284,460
Jiangsu Guoxin Investment Group Limited	1,250,928,425	Ordinary shares in RMB	1,250,928,425
Jiangsu Communications Holding Company Limited	452,015,418	Ordinary shares in RMB	452,015,418
Govtor Capital Group Co., Ltd.	342,028,006	Ordinary shares in RMB	342,028,006
Jiangsu SOHO Holdings Group Co., Ltd.	256,587,644	Ordinary shares in RMB	256,587,644
Jiangsu High Hope International Group Co., Ltd.	242,847,296	Ordinary shares in RMB	242,847,296
China Securities Finance Co., Ltd.	212,156,344	Ordinary shares in RMB	212,156,344
Jiangsu Hiteker Co., Ltd.	137,403,149	Ordinary shares in RMB	137,403,149
Central Huijin Assets Management Co., Ltd.	98,222,400	Ordinary shares in RMB	98,222,400
Jiangsu SOHO International Group Corporation	96,680,000	Ordinary shares in RMB	96,680,000
Description of the connected relationships or action in concert between the above shareholders	<p>Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Jiangsu Suhui Assets Management Co., Ltd. (the parent company of Jiangsu High Hope International Group Co., Ltd., with 100% shareholding) are wholly-owned by Jiangsu SASAC. Jiangsu SOHO Holdings Group Co., Ltd. is a controlling shareholder of Jiangsu SOHO International Group Corporation and holds 378,784,028 state-owned legal person shares, representing 71.58% of the total share capital of Jiangsu SOHO International Group Corporation and constituting parent-subsidiary relationship. Apart from the above, the Company is not aware of any connection between the other shareholders of the Company or whether such shareholders are parties acting in concert specified in the Regulations on the Takeover of Listed Companies.</p>		
Explanation of holders of preferential shares with restored voting rights and number of shares held	<p>No holders of preferential shares in the Company</p>		

Notes: 1. Among holders of overseas listed foreign shares (H Shares), shares of non-registered shareholders are held by HKSCC Nominees Limited.

2. The class of shareholders of ordinary shares in RMB (A Shares) represents the class of account held by shareholders with Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Changes in Ordinary Shares and Shareholders

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Controlling shareholders

1 No special explanation on controlling shareholders of the Company

There are no controlling shareholders with more than 50% shareholding of the Company.

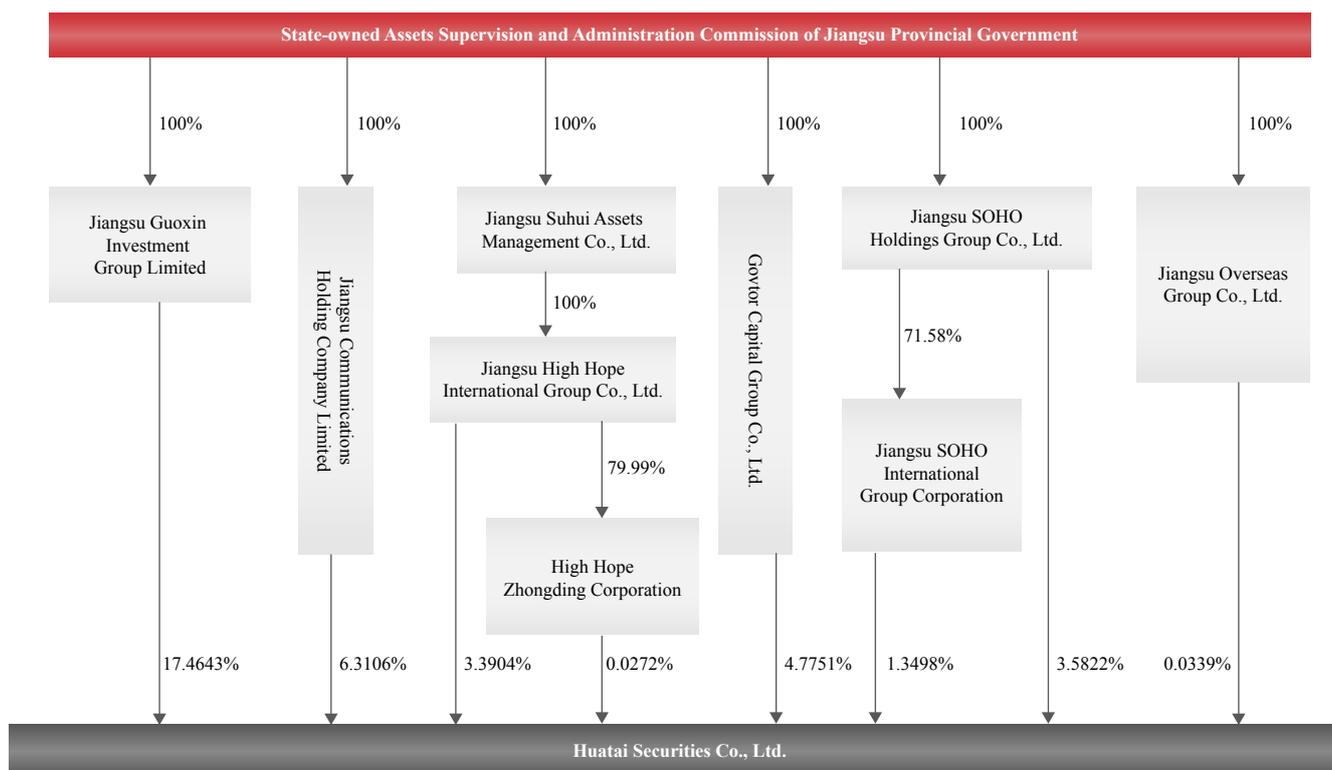
(II) De facto controllers

1 Legal person

Name State-owned Assets Supervision and Administration
Commission of Jiangsu Provincial Government

Person in charge of the unit or legal representative Xu Guoping

2 Framework of the ownership and controlling relationship between the Company and the de facto controllers



Changes in Ordinary Shares and Shareholders

V. OTHER LEGAL-PERSON SHAREHOLDERS WITH MORE THAN 10% SHAREHOLDING

Unit: in billions Currency: RMB

Name of legal-person shareholder	Person in charge of the unit or legal representative	Time of establishment	Code of the organization	Registered capital	Main business or managed activities
Jiangsu Guoxin Investment Group Limited	Legal person: Ma Qiulin	February 22, 2002	73572480-0	20.0	State-owned assets operation, management, transfer, investment, enterprise trusteeship, assets restructuring authorized by the provincial government and other businesses upon approval, house-renting.
Remarks	Shares held by HKSCC Nominees Limited are owned by the non-registered shareholders of H Shares.				

VI. INFORMATION OF THE RESTRICTIONS ON SHAREHOLDING REDUCTION

During the Reporting Period, the Company did not have any restrictions on shareholding reduction.

VII. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2015, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") and were recorded in the register required to be kept by the Company under section 336 of the SFO.

Changes in Ordinary Shares and Shareholders

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of	
						A Shares/ H Shares of the Company (%)	Long position (Note 2)/short position (Note 3) for lending
1	Jiangsu Guoxin Investment Group Limited	A Shares	Beneficial owner (Note 1)	1,250,928,425	17.46	22.98	Long position
2	Jiangsu Communications Holding Company Limited	A Shares	Beneficial owner (Note 1)	452,015,418	6.31	8.30	Long position
3	Govtor Capital Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	342,028,006	4.78	6.28	Long position
4	Jiangsu SOHO Holdings Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	256,587,644	3.58	4.71	Long position
		A Shares	Interest in a controlled corporation (Note 4)	96,680,000	1.35	1.78	Long position
5	National Council for Social Security Fund	H Shares	Beneficial owner (Note 1)	142,346,200	1.99	8.28	Long position

Note 1: According to the information disclosed on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and China Securities Depository and Clearing Co., Ltd (www.chinaclear.cn/), as at December 31, 2015, Jiangsu Guoxin held 1,250,928,425 A Shares, Jiangsu Communications Holding Company Limited held 452,015,418 A Shares, Govtor Capital Group Co., Ltd. held 342,028,006 A Shares, Jiangsu SOHO Holdings Group Co., Ltd. held 256,587,644 A Shares and NSSF held 142,346,200 H Shares. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholding information as reported to Stock Exchange;

Note 2: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to take the underlying shares; (ii) such shareholder is under an obligation to take the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases; and

Note 3: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines.

Note 4: Jiangsu SOHO Holdings Group Co., Ltd. held 71.58% of the equity interest of Jiangsu SOHO International Group Corporation, and therefore was deemed to be interested in 96,680,000 shares in which Jiangsu SOHO International Group Corporation was interested.

Changes in Ordinary Shares and Shareholders

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at December 31, 2015 required to be recorded in the register pursuant to Section 336 of the SFO.

VIII. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2015, according to the information obtained by the Company and so far as the Directors are aware, interests and short positions held by Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Stock Exchange pursuant to Section 347 of Part XV of the SFO are as follows:

No.	Name	Class of shares	Nature of interest	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of	
						A Shares/ H Shares of the Company (%)	Long position/ short position/ available for lending
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.005	0.02	Long position

Note 1: In July 2015, due to the significant fluctuation in share price of the Company, H Shares of the Company were purchased through the targeted asset management scheme for QDIs in compliance with the relevant laws and regulations so as to actively help to maintain the stability of the capital market.

Save as disclosed above, the Company was not aware of any other Directors, Supervisors and the chief executive of the Company having any interests and short positions (including interests or short positions which had been taken or deemed to have been under such provisions of SFO) in the shares or underlying shares or debentures of the Company or its associated corporations on December 31, 2015, which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register under the provision of Section 352 of the SFO, or shall be notified to the Company and the Stock Exchange under the provision of the Model Code for Securities Transactions.

Changes in Ordinary Shares and Shareholders

IX. REPURCHASE, SALE, REDEMPTION OR DEREGISTRATION OF THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any listed securities of the Company and its subsidiaries.

During the Reporting Period, as mandated by the resolutions at the 24th Meeting of the Second Session of the Board of Directors, and the Third EGM in 2013, the operation management made the *Decision on Exercise of Redemption Option for the Second Tranche of Subordinated Bonds in 2014 under Private Placement by Huatai Securities Co., Ltd.* on August 17, 2015. They decided to exercise the redemption option as issuer of “14 Huatai 03” subordinated bonds to redeem all the registered “14 Huatai 03” corporate bonds on the redemption registration date. The redeemed principal amount of this subordinated bonds of the Company was RMB2,000,000,000, accounted for 100% of the total issued “14 Huatai 03”, and the total paid interest was RMB114,000,000 for the first year for which interest is accruable, in aggregate effecting the cash outflow RMB2,114,000,000 of the Company’s financing activities. From September 29, 2015, “14 Huatai 03” (123343) of the Company will delisted from the Comprehensive Electronic Platform of Fixed Income Securities of the Shanghai Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries had redeemed, repurchased or deregistered any other redeemable securities of the Company and its subsidiaries.

Preferential Shares

During the Reporting Period, the Company did not have any matters relating to preferential shares.

Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING STRUCTURE AND REMUNERATION

(I) Changes in shareholding structure and remuneration of current and retired directors, supervisors and senior management during the Reporting Period

Unit: Shares

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Shares held at the start of the year (A Share)	Shares held at the end of the year (A Share)	Changes in shareholding during the year (A Share)	Causes for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any connected party of the Company or not
Wu Wanshan	Chairman	Male	52	2013.11.29	2015.12.18	0	0	0		135.8	No
Sun Lu	Non-executive director	Male	60	2014.9.16	2016.11.28	0	0	0		0	Yes
Zhou Yi	Executive director & president	Male	46	2013.11.29	2016.11.28	0	0	0		135.8	No
Wang Shuhua	Non-executive director	Male	48	2013.11.29	2016.11.28	0	0	0		0	Yes
Pu Baoying	Non-executive director	Female	52	2013.11.29	2016.11.28	0	0	0		0	Yes
Sun Hongning	Non-executive director	Male	54	2013.11.29	2016.11.28	0	0	0		0	Yes
Xue Binghai	Non-executive director	Male	45	2013.11.29	2015.01.21	0	0	0		0	Yes
Zhou Yong	Non-executive director	Male	49	2015.1.21	2016.11.28	0	0	0		0	Yes
Cai Biao	Non-executive director	Male	53	2013.11.29	2016.11.28	0	0	0		0	Yes
Ying Wenlu	Non-executive director	Male	50	2013.11.29	2015.10.09	0	0	0			Yes
Xu Min	Non-executive director	Female	45	2015.10.9	2016.11.28	0	0	0		0	Yes
Wang Huijuan	Non-executive director	Female	52	2013.11.29	2015.2.16	0	0	0			No

Directors, Supervisors, Senior Management and Staff

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Shares held at the start of the year (A Share)	Shares held at the end of the year (A Share)	Changes in shareholding during the year (A Share)	Causes for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any connected party of the Company or not
Bai Wei	Independent non-executive director	Male	51	2013.11.29	2016.11.28	0	0	0		12	No
Shen Kunrong	Independent non-executive director	Male	52	2013.11.29	2016.03.18	0	0	0		12	No
Liu Hongzhong	Independent non-executive director	Male	50	2013.11.29	2016.11.28	0	0	0		12	No
Zhang Jie	Independent Non-executive director	Female	39	2013.11.29	2015.12.04	0	0	0		12	No
Wang Quanzhou	Independent Non-executive director	Male	56	2014.09.11	2015.04.30	0	0	0		4	No
Lee Chi Ming	Independent non-executive director	Male	62	2015.4.30	2016.11.28	0	0	0		8	No
Chen Zhibin	Independent non-executive director	Male	50	2015.10.9	2016.11.28	0	0	0		3	No
Yu Yimin	Chairman of Supervisory Committee	Male	46	2013.11.29	2016.11.28	0	0	0		0	Yes
Gao Xu	Supervisor	Male	51	2013.11.29	2016.11.28	0	0	0		0	Yes
Du Wenyi	Supervisor	Male	51	2013.11.29	2016.11.28	0	0	0		0	Yes
Song Weibin	Supervisor	Male	50	2013.11.29	2016.11.28	0	0	0		0	Yes
Mao Huipeng	Supervisor	Male	37	2013.11.29	2015.10.09	0	0	0			Yes
Liu Zhihong	Supervisor	Female	42	2015.10.09	2016.11.28	0	0	0		0	Yes
Dong Junzheng	Supervisor	Female	42	2013.11.29	2016.03.25	0	0	0		0	No

Directors, Supervisors, Senior Management and Staff

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Shares held at the start of the year (A Share)	Shares held at the end of the year (A Share)	Changes in shareholding during the year (A Share)	Causes for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any connected party of the Company or not
Peng Min	Employee Supervisor	Female	50	2013.11.29	2016.11.28	0	0	0		287.2	No
Zhou Xiang	Employee Supervisor	Male	51	2013.11.29	2016.11.28	0	0	0		281.7	No
Zhang Hui	Employee Supervisor	Male	39	2013.11.29	2016.11.28	0	0	0		285.3	No
Zhang Haibo	Vice President	Male	51	2013.11.29	2016.11.28	0	0	0		86.3	No
Ma Zhaoming	Vice President	Male	51	2013.11.29	2016.11.28	0	0	0		86.3	No
Qi Liang	Vice President	Male	51	2013.11.29	2016.03.22	0	0	0		0	Yes
Sun Hanlin	Vice President	Male	47	2013.11.29	2016.11.28	0	0	0		86.3	No
Wu Zufang	Vice President	Male	51	2013.11.29	2016.11.28	0	0	0		86.3	No
Zhang Tao	Vice president	Male	42	2013.11.29	2016.11.28	0	0	0		86.7	No
Jiang Jian	Vice President & Secretary to the Board of Directors	Male	48	2013.11.29	2016.11.28	0	0	0		86.3	No
Shu Ben'e	Chief financial officer	Female	50	2013.11.29	2016.11.28	0	0	0		276.2	No
Li Yun	Chief compliance officer & chief risk officer	Female	42	2013.11.29	2016.11.28					276.2	No
Total	/	/	/	/	/				/	2,259.4	/

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Sun Lu	<p>College diploma holder, senior political engineer and economist. Mr. Sun served as the department chief and deputy secretary of the Organization Department of the Youth League Committee of Lianshui County (漣水團縣委), the department chief and party committee member of the Propaganda Department of Huaiyin Youth League, the deputy secretary of Huaiyin Youth League and the chairman of the Youth Federation (青年聯合會), the party secretary and deputy director of the Federation of Supply and Marketing Cooperatives in Huaiyin (淮陰市供銷社) as well as director and secretary of the party committee of Huaiyin Commerce Bureau. He also held the office of the deputy secretary general of Huaiyin People's Government, the chief of the social commerce management division of the Department of Commerce of Jiangsu Province, the chief of the market division of Economic and Trade Commission of Jiangsu Province, and the director, deputy general manager and party committee member of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. (江蘇省國有資產經營(控股)有限公司). He has been the deputy general manager and party committee member of Jiangsu Guoxin Investment Group Limited since January 2007. Mr. Sun has been serving as a director of the Company since September 2014 with a term of office expiring in November 2016.</p>
Zhou Yi	<p>Bachelor in computer communications. Mr. Zhou once taught at Jiangsu Posts & Telecommunications School (江蘇省郵電學校) and worked on technology management in the telecommunications center of Jiangsu Posts & Telecommunications Bureau and administrative management at Jiangsu Mobile Communication Co., Ltd. He served as the chairman of the board of directors at Jiangsu Beier Co., Ltd. (江蘇貝爾有限公司) and Nanjing Xinwang Tech Co., Ltd. (南京欣網視訊科技股份有限公司), the deputy general manager of Shanghai Beier Fortune Communications Company (上海貝爾富欣通信公司), the president of Huatai Securities Limited Liability Company from February 2007 to December 2007, and the director of the same company from September 2007 to December 2007. Mr. Zhou served as the director, president and deputy party secretary of the Company from December 2007 to October 2011, has been the director, president, and party secretary of the Company since November 2011 has been performing the duties of the legal representative of the Company on a temporary basis since 24 December 2015, and with a term of office in this session of Board and as the president of the Company from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Wang Shuhua	<p>Doctor, senior economist. He once served as the deputy director and director in the comprehensive planning department of Jiangsu Provincial Investment Company, the deputy head of the working team in Changzhuang town under the Jiangsu Party Committee Poverty Alleviation Task Force stationed in Feng County, the deputy manager and manger of the comprehensive planning department of Jiangsu International Trust Investment Company (江蘇省國際信托投資公司), and the office director and the manager of human resources and education department of Jiangsu Guoxin Investment Group Limited where he was the head of general manager office and a member of the party committee from January 2007 to March 2015. He has been the deputy general manager and party committee member of that company since March 2015. Mr. Wang has been the director of the Company since December 2007 with a term of office in this session of Board from November 2013 to November 2016.</p>
Pu Baoying	<p>Master, senior accountant. Ms. Pu once served as the accountant and deputy chief of Jiangsu Building Material Industry Research Institute (江蘇省建材工業研究所), the deputy chief and chief of the financial section of Jiangsu Building Material Research and Design Institute (江蘇省建材研究設計院), the assistant to the section chief and the deputy section chief of the accounting and audit department of Jiangsu Building Material Industry Co., Ltd. (江蘇省建材工業總公司), the deputy department chief of the Planning and Finance Department of Nanjing Lukou International Airport (南京祿口國際機場), manager of the finance department of Nanjing Airport Development Co., Ltd. (南京空港發展股份有限公司), the manager of the audit and legal department of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. (江蘇省國有資產經營(控股)有限公司), and general manager of the audit and legal department of Jiangsu Guoxin Assets Management Group Limited. She was the general manager of the finance department of Jiangsu Guoxin Assets Management Group Limited from December 2013 to March 2015, and has been the chief accountant and party committee member thereof since March 2015. She worked as a supervisor of the Company from December 2007 to November 2013, and has been a director of the Company since November 2013 with a term of office in this session of Board from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Sun Hongning	<p>MBA. Mr. Sun once served as the secretary and deputy director of the Propaganda Department of Jiangsu Secrets Protection Bureau (江蘇省保密局), the secretary to the secretariat and reception center of the general office of Jiangsu Provincial Party Committee, the assistant to general manager of Jiangsu Communications Holding Company Limited, and has been the director, deputy general manager and party committee member of Jiangsu Communications Holding Company Limited since May 2003. Mr. Sun has been the director of the Company since December 2007 with a term of office in this session of Board from November 2013 to November 2016.</p>
Zhou Yong	<p>Doctoral post graduate, principal senior economist, researcher, senior international business engineer. Mr. Zhou served as an assistant engineer of East China Optical Instrument Plant (華東光學儀器廠) from July 1987 to July 1992 and the preparation team member and deputy general manager of Nanjing Petroleum Exchange Co., Ltd. (南京石油交易所有限公司) from July 1992 to September 1995, the assistant to general manager of Jiangsu Suwu Futures Brokerage Co., Ltd. (江蘇蘇物期貨經紀有限公司) from September 1995 to April 1998, staff of Jiangsu Arts & Crafts Import and Export Corporation (江蘇省工藝品進出口公司) from April 1998 to May 1998 and then the deputy manager of securities department from May 1998 to February 1999, the general manager of Jiangsu Holly International Investment Management Co., Ltd. (江蘇弘業國際集團投資管理有限公司) and the manager of securities department of Jiangsu Arts & Crafts Import and Export Corporation from February 1999 to February 2000, the general manager of Jiangsu Holly International Investment Management Co., Ltd. and the general manager of Jiangsu Holly Futures Brokerage Co., Ltd. from February 2000 to January 2001, the general manager of Jiangsu Holly International Investment Management Co., Ltd., the chairman and the general manager of Jiangsu Holly Futures Brokerage Co., Ltd. from January 2001 to June 2006, the vice president and a member of the party committee of Jiangsu Holly International Group Co., Ltd. from June 2006 to July 2010, the vice president and a member of the party committee of Jiangsu SOHO Holding Group Co., Ltd. from July 2010 to May 2013 and then the president and the deputy secretary of the party committee thereof since May 2013. He has been the director of the Company since January 2015 with a term of office expiring in November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Cai Biao	<p>Post-graduate from the Party School of the CPC Central Committee, senior international business engineer. Mr. Cai served as deputy manager of the enterprise management department of Jiangsu Knitwear Import and Export Corporation (江蘇省針棉織品進出口公司), the manager and deputy general manager of the investment and development department of Jiangsu High Hope International Group Co., Ltd., and then the deputy general manager and general manager of its strategic planning department and general manager and employee supervisor of its investment and development department. He has served as the employee supervisor and the general manager of investment and development department of Jiangsu High Hope International Group Co., Ltd. since October 2015 and November 2015 respectively. He has been the director of the Company since December 2007 with a term of office in this session of Board from November 2013 to November 2016.</p>
Xu Min	<p>Bachelor, senior accountant. Ms. Xu worked as the cashier, general ledger accountant and deputy manager of finance department at Jiangsu High-tech Venture Capital (江蘇省高新技術風險投資公司) from August 1992 to May 2000, the deputy manager of the audit department and the senior manager of the finance department of Jiangsu Start-up Venture Capital Limited (江蘇省創業投資有限公司) from May 2000 to May 2005. She has been serving as the general manager of the financial department, the general manager of investment management department, the chief financial officer of Jiangsu High-tech Venture Capital since May 2005. Ms. Xu has been the director of the Company since October 2015 with a term of office expiring in November 2016.</p>
Bai Wei	<p>LLM. Mr. Bai was once a lawyer at Global Law Office in China, has been a partner at Jingtian & Gongcheng in Beijing since April 1992, and a lawyer at Sullivan & Cromwell LLP in the United States from July 1997 to July 1998. Mr. Bai has been serving as an independent director of the Company since December 2010 with a term of office in this session of Board from November 2013 to November 2016.</p>
Shen Kunrong	<p>Doctor in Political Economics. Mr. Shen once served as the director of the Economics Department of Nanjing University, then the deputy dean, professor and doctoral advisor of the school of economics. He was the senior research fellow of Department of Economics, Stanford University in the United States, and the professor and doctoral supervisor of the Business School of Nanjing University. He acted as an independent director in the Company with a term of office from November 2013 to March 18, 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Liu Hongzhong	<p>Doctor in International Finance. Mr. Liu once worked as a lecturer and an associate professor of the Departments of World Economics and Finance of Fudan University, and has been the professor and dean of the Department of Finance of Fudan University since May 1999. He is an independent director in the Company with a term of office from November 2013 to November 2016.</p>
Lee Chi Ming	<p>MBA. Mr. Lee served as the assistant director and then the director of tax assessment at Inland Revenue Department of the Government of Hong Kong from October 1976 to November 1989, and the senior manager/supervisor of Licensing department and director of Licensing, director of Corporate Planning, and director of Finance and Administration of Securities and Futures Commission from July 1989 to July 2014. He has been the chief partner of Boningdun Capital Management Limited (柏寧頓資本管理有限公司) since October 2014, the independent non-executive director of China Minsheng Drawin Technology Group Limited (previously known as Dongnan International Limited) since 30 December 2014, and the independent non-executive director of REX Global Entertainment Holdings Limited (御濠娛樂控股有限公司) since 15 July 2015, and the director of Chung Ying Theatre Company Limited since 10 December 2015. He has been an independent director in the Company since April 2015 with a term of office expiring in November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Chen Zhibin	<p>Doctor in Accounting. Mr. Chen is the dean, professor and doctoral supervisor in the finance and accounting department of School of Economics & Management, Southeast University, and the doctor in Business Management of Nanjing University and the post-doctor in Accounting of Xiamen University. He was selected as the Talent of the New Century by the Ministry of Education in 2009 and the Academic Pioneer of Accounting by the Ministry of Finance in 2006, and was selected in the Special Supporting Plan for Academic Pioneer of Accounting by the Ministry of Finance in 2014. At the same time, he served as the expert in the Management and Accounting Consultancy Commission of the Ministry of Finance, the deputy chairman of the Advanced Engineering College Branch of the Accounting Society of China and the vice chairman of the Special Committee for Government Accounting under the Accounting Society of China on part-time basis. His researches were mainly on corporate wealth management, government accounting, and internal control. He acted as the chief accountant in Nanjing Foreign Trade Factory (南京外貿廠) from August 1989 to December 1995, the lecturer in Nanjing Tech University from January 1996 to June 2001, and the professor in the Business School of Nanjing University from July 2001 to June 2012. He has been the professor in the finance and accounting department of School of Economics & Management, Southeast University Economics and Management School since July 2012. Mr. Chen became the independent director of the Company in October 2015 (his resignation submitted on 21 December 2015 with an announcement published accordingly).</p>
Yu Yimin	<p>Bachelor/Master, senior international business engineer. Mr. Yu once served as the staff in the planning department in the headquarters of Nanjing Pharmaceutical Company (南京市醫藥總公司), and the staff and deputy general department manager and general department manager of Huatai Securities Limited Liability Company. Mr. Yu has been the vice president and a member of the party committee of Jiangsu SOHO Holdings Group Co., Ltd. since September 2004, was a supervisor of Huatai Securities Limited Liability Company from September 2007 to December 2007, a supervisor of the Company from 2007 to February 2008. Since February 2008, he has been serving as the chairman of the Supervisory Committee of the Company, with a term of office in this session of Supervisory Committee from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Gao Xu	<p>Bachelor, senior accountant. Mr. Gao was a staff member and then section chief of Nanjing Qixia Commission of Planning and Economics, and staff member, senior staff member, deputy section chief and section chief of the General Section, deputy division chief of the General Division of Jiangsu Administrative Bureau of State-owned Property. He also used to serve as the deputy division chief of the Division of Statistics and Evaluation of the Department of Finance of Jiangsu Province and the manager of the asset management department of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. (江蘇國有資產經營(控股)有限公司). He has been the general manager in the asset management department of Jiangsu Guoxin Investment Group Limited since February 2007. He is a supervisor of the Company with a term of office from November 2013 to November 2016.</p>
Du Wenyi	<p>Bachelor, senior economist. Mr. Du once worked in the teaching and research office of finance and accounting of Nanjing Communications Institute of Technology, served as the deputy head and then head in the financial planning office of Jiangsu Transportation Planning and Designing Institute, and the deputy head of the finance and auditing division of Jiangsu Communications Holdings Company (江蘇交通控股有限公司), and later the deputy head and head of the finance and auditing division and the director of Jiangsu Communications Holding Group Finance Co., Ltd. He held the positions of deputy general manager of Jiangsu Expressway Company Limited (江蘇京滬高速公路有限公司), the deputy head of the finance and audit department of Jiangsu Communications Holdings Company Limited, the deputy chief accountant of Jiangsu Communications Holding Company Limited and the chairman of Jiangsu Communications Holding Group Finance Co., Ltd. He has been the deputy chief accountant, the head of finance department of Jiangsu Communications Holdings Company Limited and the chairman of Jiangsu Communications Holding Group Finance Co., Ltd. since April 2014. Mr. Du has been a supervisor of the Company since December 2010, and with a term of office in this session of the Supervisory Committee from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Song Weibin	College degree holder, accountant. He once served as the head of the financial section of the branch of Jiangsu Chemicals Import and Export Corporation (江蘇省化工進出口), the employee at Jinangshu Wenhui Huapeng Accounting Firm Co., Ltd. (江蘇文匯華彭會計事務所有限公司), the department manager of Jiangsu Tianhua Dapeng Accounting Firm Co., Ltd., the assistant to the general manager of the asset and finance department of Jiangsu High Hope International Group Co., Ltd., and the deputy general manager of the asset and finance department and the chief inspector of the fund operation center there since November 2015. Mr. Song is the supervisor of the Company with a term of office from November 2013 to November 2016.
Liu Zhihong	Bachelor, accountant. Ms. Liu served as the accountant in the finance department of Dongfeng Motor Nanjing Sales and Technology Service Cooperation (東風汽車南京銷售技術服務聯合公司) from August 1996 to July 1999, the accountant in the finance department of Jiangsu Province Information Construction Investment Company (江蘇省信息化建設投資公司) from August 1999 to May 2005, and an employee of the audit department and the deputy general manager of the finance department of Jiangsu Govtor Capital since June 2005. She has been the supervisor of the Company since October 2015 with a term of office expiring in November 2016.
Dong Junzheng	Bachelor, senior accountant. Ms. Dong was the chief of the finance department of China Consultants of Advisory and Finance Management Co., Ltd. (中華財務會計諮詢公司), the project manager of the audit department of Zhongtianxing Accounting Firm (中天信會計事務所), the assistant to the general manager of Bit Technology Co., Ltd. (比特科技股份有限公司), the manager of the finance department of Guohua Renyuan Environment Engineering Co., Ltd. (國華荏原環境工程有限責任公司) and has been the deputy general manager of the finance department of Guohua Energy Investment Co., Ltd. (國華能源投資有限公司) since September 2007. Ms. Dong was a supervisor of the Company with a term of office from November 2013 to March 25, 2016

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Peng Min	<p>Bachelor, economist. Ms. Peng once served as the secretary and deputy manager of the sales department in Jiangsu Metallurgical Supply and Marketing Cooperation (江蘇省冶金物資供銷公司), an employee of the entrusted asset department and the fixed income department, secretary and deputy head of the president's office in Huatai Securities Limited Liability Company. She has been the deputy director and then the director of the Company's general office and the chairman of our labor union in succession since December 2007. She is now the supervisor of the Company with a term of office from November 2013 to November 2016.</p>
Zhou Xiang	<p>MBA, accountant. Mr. Zhou was once an employee of Nanjing Supply and Marketing Cooperative. He worked for Huatai Securities Limited Liability Company as the general manager of the capital planning department, the general manager of the Nanjing Changjiang Road Branch, the deputy manager of the asset management head office, and the general manager of the Nanjing Zhongshan North Road No. 2 Branch and the office chief of development plan implementation leading team. Later, he served as the general manager of finance planning department and the chief financial inspector of Huatai United Securities Co., Ltd., from August 2006 to June 2012, and the general manager of the inspection department of the Company from June 2012 to 31 December 2015. He has been the supervisor of the Company since March 2013, with a term of office in this session of Supervisory Committee from November 2013 to November 2016.</p>
Zhang Hui	<p>Doctor in Technical Economics and Management. Mr. Zhang once worked at the service centre for human resources exchange of Dongcheng District, Beijing, Shanghai office of Huachen Auto Group, Tongshang Company Limited (通商有限責任公司) and Beijing Lianchuang Investment Management Limited (北京聯創投資管理有限公司). He was once the senior manager of asset management head office and the deputy general manager of Nantong Yaogang Road Branch of Huatai Securities Limited Liability Company. He served as the general manager of Shanghai Ruijin No. 1 Road Branch of our Company from January 2008 to February 2010, the deputy general manager of the securities investment department of the Company from February 2010 to July 2012, and then the general manager of our general affair department from July 2012 to 31 December 2015. Mr. Zhang is now a supervisor of the Company with a term of office from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Zhang Haibo	<p>MBA. Mr. Zhang once worked as a staff member, senior staff member and then principal member and assistant researcher of the Agriculture and Industry Department of Jiangsu Provincial Committee of the Communist Party, the secretary at the deputy division level and investigator of the Agriculture Division of the General Office of Jiangsu Government, and the assistant to the president of Jiangsu Securities Company. He was the assistant to the president and the general manager of the investment banking department, the chief inspector of investment banking business, the general manager of investment banking business at the head office, the vice president and the party committee member of Huatai Securities Limited Liability Company where he has been the vice president and party committee member since December 2007. His current term of office is from November 2013 to November 2016.</p>
Ma Zhaoming	<p>Bachelor, senior accountant. Mr. Ma was once an accountant of No. 898 Factory of the Ministry of Electronics Industry, the deputy chief and then chief of the finance section of its ceramics branch. He worked at Jiangsu Securities Company as the deputy manager of the planning and finance department and the director of the planning and finance division, then the director of the planning and finance division and the head of inspection office, and later the deputy chief accountant and the director of the planning and finance division and vice president. He served as the vice president and the party committee member of Huatai Securities Limited Liability Company, the chairman of Huatai United Securities Co., Ltd. He has been the vice president and the party committee member of Huatai Securities Limited Liability Company since June 2013 with the current term of office from November 2013 to November 2016.</p>
Qi Liang	<p>Master, senior economist. Mr. Qi was once the staff member, senior staff member, principal member and then deputy division chief of the State Planning Commission, division chief and deputy director general of the Development Research Center of the State Council in succession, and the leader at the division and deputy bureau level of Central Leading Group Office on Financial and Economic Affairs in succession, and the vice president and the party committee member of Huatai Securities Limited Liability Company. He has been the vice president and the party committee member of the Company since December 2007 with the current term of office from November 2013 to March 22, 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Sun Hanlin	<p>Bachelor in business administration/EMBA. Mr. Sun once worked as the clerk, officer and deputy chief of the cadre section of human resources division of the Jiangsu Branch of PBOC, the executive deputy chief and the chief of the human resources division of Jiangsu Securities Company, the chief of the human resources division, chief of the organization department, general manager of the human resources department, secretary of the discipline inspection commission, chief inspection officer, member of the party committee and vice president of Huatai Securities Limited Liability Company. He has been the vice-president, secretary of the discipline inspection commission (of office expiring in December 2015) and member of the party committee of the Company since December 2007 with the current term of office from November 2013 to November 2016.</p>
Wu Zufang	<p>MBA. Mr. Wu used to work as a teacher in the mathematics department at Nanjing University, a staff member of the Policy Research Office of Jiangsu Commission of Planning and Economics, the business supervisor, head of issuance and transaction department, deputy general manager and general manager of stock affair department, the deputy general manager, general manager and then chairman and general manager of the subsidiary, the assistant to the president, the chief inspection officer of asset management business and general manager on asset management at the head office, the chief economist, vice president and party committee member of Jiangsu Securities Company. He has been the vice president and party committee member of the Company since December 2007 with the current term of office from November 2013 to November 2016.</p>
Zhang Tao	<p>Doctor in Technical Economics and Management. Mr. Zhang once worked at Jiangsu Securities Company as the secretary to the president at the president's office, business manager of investment banking No. 1 department, deputy director of the Fuzhou representative office, deputy general manager of investment banking business department of Shanghai head office, deputy general manager of Shenzhen head office and general manager of Shenzhen Caitian Road branch, secretary of the board of directors, assistant to the president and director of the board office, vice president and party committee member. He has been the vice president and party committee member of the Company since December 2007 with the current term of office from November 2013 to November, 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Jiang Jian	<p>Master in Economics and Management. Mr. Jiang once taught at Nanjing Agricultural University. He worked at Jiangsu Securities Company as the employee and chief of the training and education section of the Human Resources division, deputy general manager of the stock affairs department under the investment banking head office, deputy general manager and senior manager of the investment banking No. 1 department, deputy general manager of the investment banking head office (concurrently acting as the manager of the issuance department), general manager of the asset management head office, general manager of the Nanjing investment banking business department and director of the investment banking business, chief inspection officer of the investment banking and general manager of Nanjing head office, assistant to the president and general manager of Shanghai head office, assistant to the president and secretary of the board of directors, assistant to the president and general manager of institution customer service departments, vice president and secretary to the board of directors, party committee member. He has been the vice president, secretary to the board of directors, party committee member of the Company since December 2007 with the current term of office from November 2013 to November 2016.</p>
Shu Ben'e	<p>Bachelor, CPA. Ms. Shu was once the chief of finance division of Panda Electronics Group Co., Ltd., the deputy general manager of the planning and capital department of Jiangsu Securities Company. She worked at Huatai Securities Limited Liability Company as the deputy general manager of the capital planning department, the deputy general manager, executive deputy general manager and then general manager of the inspection and supervision department, and the general manager of the finance planning department. She has been the general manager of the finance planning department and the chief financial officer of the Company since December 2007 with the current term of office from November 2013 to November 2016.</p>

Directors, Supervisors, Senior Management and Staff

Name	Primary work experience
Li Yun	<p>Master, economist. Ms. Li was once the principal member at the office of Nanjing Securities and Futures Commission, and the principal member of Nanjing Commissioner Office, principal member of the verification division of institution supervision department, deputy chief of the institution division of Jiangsu Regulatory Bureau and deputy chief and investigator of the No. 2 Division of Shanghai Commissioner Office of the CSRC. She has been the chief compliance officer of the Company since June 2012. She served as our chief compliance officer (concurrently acting as the general manager of the compliance and risk management department) from July 2012 to December 2014. She has been in the office of the chief risk management officer since August 2014. She concurrently served as the general counsel and general manager of the compliance and legal department of the Company in December 2014. Ms Li is the chief compliance officer, chief risk management officer and the general manager of the compliance and legal department with the current term of office as chief compliance officer from November 2013 to November 2016</p>

Explanation of Other information:

1. During the Reporting Period, directors, supervisors and the senior management of the Company did not hold any share and option of the Company.
2. During the Reporting Period, the Company did not carry out any option incentive scheme for directors, supervisors and the senior management of the Company. Directors, supervisors and the senior management of the Company did not hold any option of the Company.
3. During Reporting Period, no current or retired director, supervisor and senior management was punished by any securities regulatory authority in the past three years.
4. During the Reporting Period, Mr. Qi Liang, the deputy president of the Company received remuneration from Huatai-PineBridge Investments, a subsidiary company where the Company holds shares.

(II) Option incentive conferred to Directors, Supervisors and Senior Management Officers during the Reporting Period

During the Reporting Period, Situation which the Company conferred option incentive to directors, supervisors and senior management officers did not exist.

Directors, Supervisors, Senior Management and Staff

II. EMPLOYMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS

(I) Employment at the shareholder of the Company

Name of employee	Name of shareholder of the Company	Position	Start of the term of office	Expiration of the term of office
Sun Lu	Jiangsu Guoxin Investment Group Limited	Deputy general manager	January 19, 2007	Up to now
Wang Shuhua	Jiangsu Guoxin Investment Group Limited	Deputy general manager	March 25, 2015	Up to now
Pu Baoying	Jiangsu Guoxin Investment Group Limited	General accountant	March 25, 2015	Up to now
Sun Hongning	Jiangsu Communications Holding Company Limited	Deputy general manager	May 1, 2003	Up to now
Zhou Yong	Jiangsu SOHO Holdings Group Co., Ltd.	President	May 28, 2013	Up to now
Cai Biao	Jiangsu High Hope International Group Co., Ltd.	General manager of the investment development department	November 18, 2015	Up to now
Xu Min	Govtor Capital Group Co., Ltd.	Chief financial officer and general manager of the investment management department	March 1, 2010	Up to now
Yu Yimin	Jiangsu SOHO Holdings Group Co., Ltd.	Vice president	September 1, 2004	Up to now
Gao Xu	Jiangsu Guoxin Investment Group Limited	General manager of asset management department	February 1, 2007	Up to now
Du Wenyi	Jiangsu Communications Holding Company Limited	Deputy chief accountant and department chief of the finance department	February 1, 2011	Up to now
Song Weibin	Jiangsu High Hope Group Corporation (江蘇匯鴻集團股份有限公司)	Deputy general manager of the asset and finance department and chief inspection officer of the fund operation center	November 18, 2015	Up to now
Liu Zhihong	Govtor Capital Group Co., Ltd.	Deputy general manager of the finance department	September 1, 2014	Up to now
Dong Junzheng	Guohua Energy Investment Co., Ltd.	Deputy general manager of the finance department	September 1, 2007	Up to now
Explanation of the employment at the shareholder of the Company		Nil		

Directors, Supervisors, Senior Management and Staff

(II) Other Jobs

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Sun Lu	Jiangsu Zhongjiang Network Media Co., Ltd.	Director	March 22, 2010	Up to now
	Jiangsu Digital Certificate Authority Co., Ltd.	Director	March 8, 2010	Up to now
	Bank of Nanjing Co., Ltd.	Supervisor	May 2014	Up to now
	Shanghai-Nanjing Intercity Railway Group Co. Ltd.	Director	November 11, 2011	Up to now
Zhou Yi	Huatai Financial Holdings (Hong Kong) Limited	Director	August 1, 2006	Up to now
	Huatai Zijin Investment Co., Ltd.	Chairman	August 19, 2013	Up to now
	Huatai Ruitong Investment Management Co., Ltd.	Chairman	December 25, 2012	Up to now
	Jiangsu Emerging Industry Investment Co., Ltd.	Chairman	June 9, 2013	Up to now
	Huatai Ruilian Funds Management Co., Ltd.	Chairman	November 20, 2013	Up to now
	Huatai Junxin Fund Investment Management Co., Ltd.	Chairman	July 4, 2014	Up to now
	Huatai Securities (Shanghai) Asset Management Co., Ltd.	Director	October 16, 2014	Up to now
	Beijing Huatai Tongxin Investment Fund Management Co., Ltd.	Chairman	December 29, 2014	Up to now
Wang Shuhua	Jiangsu International Trust Corporation Limited	Chairman	August 5, 2015	Up to now
	China Eastern Airlines Jiangsu Ltd.	Director	April 7, 2006	Up to now
	Nanjing China Electron Panda Information Industry Co., Ltd.	Director	April 28, 2007	Up to now
	Jiangsu Software Industry Company Limited	Chairman	May 27, 2015	Up to now
	Hengtai Insurance Brokerage Co., Ltd.	Chairman	May 27, 2015	Up to now
	Jiangsu Guoxin Credit Guaranty Co., Ltd.	Chairman	July 24, 2015	Up to now
	Jiangsu Credits Re-Guarantee Co., Ltd.	Director	June 17, 2015	Up to now
	Lian Life Insurance Co., Ltd.	Chairman of the Supervisory Committee	July 25, 2014	Up to now
Nanjing Yue Jin Auto Co., Ltd.	Director	July 25, 2014	Up to now	

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Pu Baoying	Jiangsu Investment Management Corporation Limited	Director	April 23, 2014	Up to now
	Jiangsu International Trust Corporation Limited	Chairman of the Supervisory Committee	May 22, 2015	Up to now
	Jiangsu Huaiyin Electric Power Generation Co., Ltd. (江蘇淮陰發電有限責任公司)	Convener of supervisory committee	March 13, 2014	Up to now
	Jiangsu XINHAI Electric Power Generation Co., Ltd.	Supervisor	March 13, 2014	Up to now
	Xutang Power Limited Liability Company	Director	July 30, 2014	Up to now
	Huaneng Nantong Power Generation Limited Liability Company	Director	March 3, 2014	Up to now
	Jiangsu Broadcasting Cable Information Network Investment Co., Ltd.	Director	April 23, 2014	Up to now
	Jiangsu Guoxin Group Finance Co., Ltd.	Director	December 16, 2015	Up to now
	Yancheng Electric Power Generation Co., Ltd. (鹽城發電有限公司)	Supervisor	March 4, 2011	Up to now
	Jiangsu Dongling Wind Power Co., Ltd. (江蘇東凌風力發電有限公司)	Convener of supervisory committee	March 13, 2014	Up to now
	Jiangsu Natural Gas Company	Supervisor	March 25, 2014	Up to now
	Jiangsu Zhongjiang Network Media Corp.	Supervisor	March 22, 2010	Up to now
	Jiangsu Guoxin and Xinnan (Erdos) Energy Development Co., Ltd. (江蘇國信鑫南(鄂爾多斯)能源發展有限公司)	Director	April 24, 2014	Up to now
	China Suzhou Industrial Park Company Limited	Vice chairman	June 24, 2015	Up to now
Sun Hongning	Jiangsu Far East Shipping Company Ltd.	Chairman	December 1, 2004	Up to now
	Nanjing Sharelink Venture Capital Co., Ltd.	Chairman of the Supervisory Committee	May 11, 2009	Up to now
	Yili Suxin Energy Development and Investment Co., Ltd. (伊犁蘇新能源開發投資有限公司)	Chairman of the Supervisory Committee	February 1, 2012	Up to now

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Nantong Tianshenggang Electric Company Limited	Chairman	July 1, 2008	Up to now
	Jiangsu Ocean Shipping Co., Ltd.	Chairman	December 1, 2004	Up to now
	Jiangsu Kuailu Motor Transport Co., Ltd.	Chairman	December 1, 2004	Up to now
	Suzhou Nanlin Hotel Co., Ltd.	Chairman	December 1, 2004	Up to now
	Taicang Container Lines Co., Ltd.	Chairman	August 1, 2011	Up to now
	Jiangsu Taicang Port Group Co., Ltd.	Vice chairman	July 1, 2006	Up to now
	Guodian Taizhou Power Generation Co., Ltd.	Director	December 1, 2007	Up to now
	Jinling Hotel Corporation	Director	December 1, 2002	Up to now
	Jiangsu Financial Leasing Co., Ltd.	Chairman of the Supervisory Committee	February 1, 2008	Up to now
Zhou Yong	Holly Futures Co., Ltd.	Chairman	January 1, 2001	Up to now
	Jiangsu Artall Culture Industry Co., Ltd.	Chairman	July 1, 2011	Up to now
	Jiangsu Cultural Asset and Equity Exchange Co., Ltd.	Chairman	October 1, 2012	Up to now
	Aerosun Co., Ltd.	Independent director	May 1, 2011	Up to now
Cai Biao	Jiangsu High Hope Int'l Group Native Produce Imp & Exp Corp. Ltd.	Director	March 1, 2015	Up to now
	Jiangsu High Hope Int'l Group Foodstuffs Imp & Exp Corp. Ltd.	Director	March 1, 2006	Up to now
	Jiangsu High Hope Int'l Group Real Estate Development Co., Ltd.	Director	September 1, 2006	Up to now
	Jiangsu High Hope Int'l Group Jiangsu Huayuan Trading Co., Ltd. (江蘇匯鴻國際集團華源貿易有限公司)	Supervisor	June 1, 2007	Up to now
	Jiangsu High Hope Convention & Exhibition Corp.	Supervisor	March 1, 2009	Up to now
	Jiangsu Environmental Industry Co., Ltd.	Director	August 1, 2010	Up to now
	Suxin Energy Co., Ltd.	Supervisor	May 1, 2013	Up to now
	Jiangsu Animal By-product Imp & Exp Group Corp.	Director	September 1, 2014	Up to now
	Jiangsu High Hope Int'l Group Skyrun Corporation	Director	July 1, 2013	Up to now
	Jiangsu High Hope Int'l Group Asset Management Co., Ltd. (江蘇匯鴻國際集團資產管理有限公司)	Supervisor	August 1, 2013	Up to now

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Xu Min	Zhongrong Xinjia Investment Guaranty Co., Ltd. (中融信佳投資擔保有限公司)	Director	April 1, 2010	Up to now
	Jiangsu Hi-tech Venture Capital Management Co., Ltd. (江蘇高新創業投資管理有限公司)	Chairman	December 1, 2014	Up to now
	Nanjing Reinsurance Microfinance Technology Co., Ltd. (南京市再保科技小額貸款有限公司)	Director	February 1, 2011	Up to now
	Jiangsu Wanhao Real Estate Development Co., Ltd. (江蘇萬豪房地產開發有限公司)	Supervisor	April 1, 2006	Up to now
	Yancheng Govtor Capital Venture Investment Co., Ltd. (鹽城高投創業投資有限公司)	Supervisor	November 1, 2014	Up to now
	Jiangsu Gaosheng Technology Venture Investment Co., Ltd. (江蘇高勝科技創業投資有限公司)	Director	March 1, 2015	Up to now
	Jiangsu Gaoding Science and Technology Venture Capital Co., Ltd. (江蘇高鼎科技創業投資有限公司)	Director	March 1, 2015	Up to now
	Jiangsu Suzhou new & high Venture Capital Co., Ltd	Director	March 1, 2015	Up to now
	Suzhou Gaojin Venture Investment Co., Ltd	Director	March 1, 2015	Up to now
	Wuxi Gaode Venture Investment Management Co., Ltd. (無錫高德創業投資管理有限公司)	Chairman	March 1, 2015	Up to now
Bai Wei	Wuxi High-Tech Risk Investment Co., Ltd. (無錫高新技術風險投資股份有限公司)	Director	March 1, 2015	Up to now
	Jiangsu Software Industry Co., Ltd. (江蘇省軟件產業股份公司)	Director	November 1, 2014	Up to now
	Jingtian & Gongcheng in Beijing	Partner	April 1, 1992	Up to now
	Ningxia Orient Tantalum Industry Co., Ltd.	Independent director	March 1, 2011	Up to now
	China Pacific Insurance (Group) Co., Ltd.	Independent director	July 4, 2013	Up to now

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Shanghai Stock Exchange	Member of the third session of the Listing Committee	August 28, 2012	Up to now
Shen Kunrong	Nanjing University Business School	Professor	July 1, 2006	Up to now
	Nanjing Qixia Development Co., Ltd.	Independent director	February 10, 2009	February 10, 2015
	Jiangsu Phoenix Publishing & Media Co. Ltd.	Independent director	June 25, 2009	Submit resignation application on December 7, 2015
	Nanjing Hongtu High-Tech Co., Ltd.	Independent director	July 1, 2010	Submit resignation application on December 7, 2015
	Whirlpool (China) Co., Ltd.	Independent director	November 21, 2014	Submit resignation application on December 7, 2015
Liu Hongzhong	International Finance Department, School of Economics, Fudan University	Professor	May 1, 1999	Up to now
	Shanghai Rural Commercial Bank Co., Ltd.	Independent director	September 1, 2009	Up to now
	Shenyin & Wanguo Futures Company Limited	Independent director	February 1, 2008	Up to now
	Donghai Futures Co., Ltd.	Independent director	July 1, 2009	Up to now
	China International Fund Management Co., Ltd.	Independent director	May 28, 2013	Up to now
Lee Chi Ming	Shanghai Construction Group Co., Ltd.	External director	June 29, 2013	Up to now
	Boningdun Capital Management Co., Ltd. (柏寧頓資本管理有限公司)	Chief partner	October 1, 2014	Up to now
	China Minsheng Drawin Technology Group Limited (Previously known as South East Group Limited)	Independent non-executive director	December 30, 2014	Up to now
	Rex Global Entertainment Holdings	Independent non-executive director	July 15, 2015	Up to now
Chen Zhibin	Chung Ying Theatre Company Limited	Director	December 10, 2015	Up to now
	Southeast University	Professor from Financial Accounting Department	July 1, 2012	Up to now

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Kuang Da Automobile Fabric Group Co., Ltd.	Independent director	March 9, 2011	Up to now
	Jiangsu Province Communications Planning and Design Institute Limited Company	Independent director	January 30, 2014	Submit resignation application on December 24, 2015
	Jinling Hotel Corporation	Independent director	June 30, 2015	Submit resignation application on December 30, 2015
Yu Yimin	Jiangsu SOHO Venture Capital Investment Co., Ltd.	Chairman	May 1, 2011	Up to now
	Jiangsu SOHO Investment Group Co., Ltd.	Chairman	April 1, 2013	Up to now
	Suxin Energy (Yili) Co., Ltd. (蘇新能源(伊犁)有限公司)	Director	March 1, 2012	Up to now
	Jiangsu Province Emerging Industry Fund Investment Management Co. (江蘇省新興產業基金投資管理公司)	Director	September 1, 2014	Up to now
	Jiangsu International Trust Corporation Limited	Director	November 1, 2014	Up to now
	Jiangsu Financial Holding Co., Ltd.	Chairman	February 1, 2015	Up to now
	Jiangsu Coastal Innovative Capital Management Co., Ltd.	Director	January 1, 2015	Up to now
Gao Xu	Jiangsu Jintai Futures Co., Ltd.	Chairman of the Supervisory Committee	April 27, 2011	Up to now
	Jiangsu Jinsuzheng Investment and Development Co., Ltd.	Director	June 22, 2007	Up to now
	Nanjing Technology Imp & Exp Corp. Ltd.	Vice chairman	May 12, 2008	Up to now
	Jiangsu Sainty International Group Limited	Director	August 23, 2010	Up to now
	Qingtongxia Aluminum Industry Co., Ltd. (青銅峽鋁業股份有限公司)	Director	March 27, 2008	Up to now
	Jiangsu Digital Certificate Authority Co., Ltd.	Vice chairman	June 17, 2015	Up to now
	Jiangsu Guoxin Yongtai Asset Disposal Co., Ltd. (江蘇省國信永泰資產處置有限公司)	Director	June 5, 2007	Up to now

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Du Wenyi	Jiangsu Expressway Company Limited	Director	June 6, 2008	Up to now
	Jiangsu Jinghu Expressway Company Limited	Director	December 1, 2007	Up to now
	Jiangsu Communications Holding Group Finance Co., Ltd.	Chairman	August 1, 2011	Up to now
	Jiangsu Expressway Network Operation & Management Co., Ltd.	Chairman of the Supervisory Committee	December 1, 2007	Up to now
	Fuanda Fund Management Co., Ltd.	Supervisor	December 1, 2007	Up to now
	Jiangsu Yanjiang Expressway Co., Ltd.	Director	December 1, 2007	Up to now
	Jiangsu Ocean Shipping Co., Ltd.	Director	April 1, 2010	Up to now
	Jiangsu Financial Leasing Co. Ltd	Director	December 1, 2007	Up to now
	Nanjing Yue Jin Auto Co., Ltd.	Director	December 1, 2007	Up to now
	Hengtai Insurance Brokerage Co., Ltd.	Director	April 1, 2012	Up to now
	Guodian Taizhou Power Generation Co., Ltd.	Supervisor	April 1, 2012	Up to now
	Nanjing Sharelink Venture Capital Co., Ltd.	Director	May 11, 2009	Up to now
	Bank of Jiangsu Co., Ltd.	Director	February 1, 2012	Up to now
	Liu Zhihong	Jiangsu Hi-tech Venture Capital Co., Ltd. (江蘇高新創業投資有限公司)	Supervisor	March 1, 2015
Changzhou High-Tech Venture Capital Co., Ltd. (常州高新技術風險投資有限公司)		Supervisor	March 1, 2015	Up to now
Changzhou Gaorui Venture Capital Management Co., Ltd. (常州高睿創業投資管理有限公司)		Supervisor	March 1, 2015	Up to now
Suzhou Gaojin Venture Investment Co., Ltd		Supervisor	March 1, 2015	Up to now
Song Weibin	Jiangsu High Hope Int'l Group Shengshi Trading Co., Ltd. (江蘇匯鴻國際集團盛世貿易有限公司)	Director	September 1, 2014	Up to now
	Zhou Xiang	Huatai Zijin Investment Co., Ltd.	Supervisor	August 19, 2013
Huatai Ruilian Funds Management Co., Ltd.		Supervisor	November 20, 2013	Up to now
Zhang Haibo	Huatai Financial Holdings (Hong Kong) Limited	Director	August 1, 2006	August 10, 2015

Directors, Supervisors, Senior Management and Staff

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Huatai Securities (Shanghai) Asset Management Co., Ltd.	Chairman	October 16, 2014	Up to now
Qi Liang	Huatai-Pine Bridge Fund Management Co., Ltd.	Chairman	November 18, 2004	Up to now
Wu Zufang	Huatai-Pine Bridge Fund Management Co., Ltd.	Director	November 18, 2004	Up to now
Zhang Tao	Huatai Zijin Investment Co., Ltd.	Director	August 27, 2008	Up to now
	Huatai Futures Co., Ltd.	Chairman	November 30, 2013	Up to now
	China Southern Asset Management Co., Ltd.	Director	September 1, 2003	Up to now
Jiang Jian	Huatai Financial Holdings (Hong Kong) Limited	Director	July 1, 2013	August 10, 2015
	Huatai United Securities Co., Ltd.	Director	August 1, 2006	Up to now
	Huatai Zijin Investment Co., Ltd.	Director	August 19, 2013	Up to now
	Jiangsu Equity Exchange Center Co., Ltd.	Chairman	July 4, 2013	Up to now
	China Southern Asset Management Co., Ltd.	Director	September 1, 2010	Up to now
	Bank of Jiangsu Co., Ltd.	Director	May 1, 2012	Up to now
	Huatai Ruitong Investment Management Co., Ltd.	Director	December 1, 2013	Up to now
	E-Capital Transfer Co., Ltd.	Director	January 8, 2015	Up to now
	Huatai Financial Holdings (Hong Kong) Limited	Director	August 10, 2015	Up to now
	Shu Ben'e	Huatai United Securities Co., Ltd.	Chairman of the Supervisory Committee	June 1, 2013
China Southern Asset Management Co., Ltd.		Supervisor	September 1, 2003	Up to now
Huatai Futures Co., Ltd.		Vice chairman	October 17, 2006	Up to now
Huatai Zijin Investment Co., Ltd.		Director	August 27, 2008	Up to now
Huatai Ruitong Investment Management Co., Ltd.		Director	December 25, 2012	Up to now
Li Yun	Huatai Securities (Shanghai) Asset Management Co., Ltd.	Chief compliance officer	December 8, 2014	Up to now
Explanation of other jobs		Nil		

Directors, Supervisors, Senior Management and Staff

III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of the Directors, Supervisors and Senior Management	The Remuneration and Appraisal Committee of the Board is responsible for advising the Board on the remuneration structure and policies of the directors and senior management of the Company. The Board makes decisions on matters relating to the remuneration of and reward and punishment for the senior management in accordance with relevant national policies, and matters relating to the remuneration of directors and supervisors shall be determined at the general meeting.
The basis for determining the remuneration of the Directors, Supervisors and Senior Management	The External Directors and External Supervisors of the Company do not receive remuneration from the Company; Standard of remuneration of the Independent Directors is determined with reference to that of the listed peers and based on actual situation of the Company; Remuneration of the Senior Management, Internal Directors, employee supervisors is determined in accordance with the Appraisal and Remuneration Management Measures for Senior Management of Huatai Securities Co., Ltd. 《华泰证券股份有限公司高級管理人員考核與薪酬管理辦法》 considered and passed by the Board and the assessment system of the Company and is also linked to grade, position and performance.
Actual payments of remuneration of the Directors, Supervisors and Senior Management	Please refer to “I. Changes in Shareholding Structure and Remuneration” — “(I) Changes in Shareholding Structure and Remuneration of Current and Retired Directors, Supervisors and Senior Management during the Reporting Period” in this section of the report for further information.
Total remuneration actually obtained by the Directors, Supervisors and Senior Management at the end of the Reporting Period	Approximately RMB22.594 million

Directors, Supervisors, Senior Management and Staff

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for Change
Xue Binghai	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Compliance and Risk Management Committee under the Board due to work arrangement
Wang Huijuan	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Development Strategy Committee under the Board due to work arrangement
Wang Quanzhou	Independent Non-executive director	Resigned	Submitted the resignation as Independent Non-executive Director of the third session of the Board and ceased to be dean committee member (convenor) of Audit Committee under the Board due to personal reasons
Zhang Jie	Independent Non-executive director	Resigned	Ceased to be Independent Non-executive Director of the third session of the Board and a member of Nomination Committee under the Board and Remuneration and Appraisal Committee under the Board according to relevant regulations
Ying Wenlu	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Compliance and Risk Management Committee under the Board due to work arrangement
Wu Wanshan	Chairman	Resigned	Submitted to the Board the resignation as Executive Director of the third session of the Board, Chairman of the Board and dean committee member (convenor) of Development Strategy Committee under the Board due to work changes
Zhou Yong	Non-executive Director	Appointed	
Lee Chi Ming	Independent Non-executive director	Appointed	

Directors, Supervisors, Senior Management and Staff

Name	Position	Change	Reason for Change
Xu Min	Director	Appointed	
Mao Huipeng	Supervisor	Resigned	Ceased to be a Supervisor of the third session of the Supervisory Committee due to work arrangement
Liu Zhihong	Supervisor	Appointed	

Supplemental Explanation:

- On December 7, 2015, Independent Non-executive Director Mr. Shen Kunrong submitted his resignation as Independent Non-executive Director of the third session of the Board and a member of Development Strategy Committee under the Board in accordance with relevant regulations; On December 22, Independent Non-executive Director Mr. Chen Zhibin submitted his resignation as Independent Non-executive Director of the third session of the Board and a member of Audit Committee under the Board in accordance with relevant regulations. However, since the resignation of Mr. Shen Kunrong and Mr. Chen Zhibin would cause the number of independent non-executive directors of the Company less than one third of the Board members, according to the requirements of relevant laws and regulations and the Articles of Association of the Company, the application of resignation of Mr. Shen Kunrong and Mr. Chen Zhibin shall come into effect after successive independent non-executive directors fill in their positions. Before new independent non-executive directors are elected at the general meeting of the Company, Mr. Shen Kunrong and Mr. Chen Zhibin shall still continue to perform their duties as independent non-executive directors and members of the Development Strategy Committee of the Board in accordance with the requirements of relevant laws, administrative regulations and Articles of the Company. On March 18, 2016, upon consideration and approval at the first EGM of the Company in 2016, Mr. Chen Chuanming succeeded Mr. Shen Kunrong to perform the duties as an Independent Non-executive Director in the third session of the Board and he will hold the office till the end of this session of the Board.
- No Senior Management left during the Reporting Period. On March 22, 2016, Mr Qi Liang submitted resignation as the Vice President of the Company due to personal work changes. The resignation takes effect from the date of submission. For details about Mr. Qiliang's resignation as the Vice president of the Company, please refer to the section of "Major Events" from page 139 to page 179.

Directors, Supervisors, Senior Management and Staff

V. SPECIAL COMMITTEES UNDER THE BOARD

5 special committees, namely, the Compliance and Risk Management Committee, the Audit Committee, Development Strategy Committee, Nomination Committee and Remuneration and Appraisal Committee were established under the Board of the Company, members of which are as follows:

Compliance and Risk Management Committee (4 in total): Sun Lu (chairman (convener) of Compliance and Risk Management Committee), Cai Biao, Zhou Yong and Xu Min;

The Audit Committee (4 in total, including more than 1/2 of Independent Non-executive Directors) : Lee Chi Ming (chairman (convener) of the Audit Committee), Pu Baoying, Liu Hongzhong and Chen Zhibin;

Development Strategy Committee (3 in total): Zhou Yi, Wang Shuhua and Shen Kunrong;

Nomination Committee (3 in total, including more than 1/2 of Independent Non-executive Directors): Bai Wei ((chairman (convener) of the Nomination Committee), Sun Hongning and Liu Hongzhong;

Remuneration and Appraisal Committee (3 in total, including more than 1/2 of Independent Non-executive Directors): Bai Wei ((chairman (convener) of the Remuneration and Appraisal Committee), Sun Hongning and Liu Hongzhong.

VI. INFORMATION ABOUT THE STAFF OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Information about the staff

Number of staff employed by the parent company	5,410
Number of staff employed by the major subsidiaries	1,443
The total number of staff employed	6,853
Number of retired staff provided for by the parent company and its subsidiaries need to pay for the cost	112

Directors, Supervisors, Senior Management and Staff

Profession Composition

Profession	Number of staff
Researchers	182
Investment banking professionals	463
Investment professionals	188
Asset management professionals	139
Brokers	4,833
Financial professionals	232
Administrative professionals	175
Info-tech professionals	278
Compliance and risk control professionals	260
Others	103
Total	6,853

Education

Levels of education	Number (persons)
Doctor	73
Master	1,773
Bachelor	3,908
Junior college graduate and below	1,099
Total	6,853

Directors, Supervisors, Senior Management and Staff

Demographics of the parent Company

Dimensions	Items	Number
Profession structure	Researchers	141
	Investment banking professionals	
	Investment professionals	104
	Asset management professionals	
	Brokers	4,454
	Financial professionals	173
	Administrative professionals	110
	Info-tech professionals	230
	Compliance and risk control professionals	168
	Others	30
Levels of education	Doctor	35
	Master	1,056
	Bachelor	3,379
	Junior college graduate and below	940
Total		5,410

(II) Remuneration policy

The Company attaches importance to the fairness of remuneration distribution in terms of both internal and external comparison and implements a remuneration distribution system based on market standards and weighted by the result of performance evaluation, and the total remuneration consists of fixed salary, performance bonus and employee benefit.

Pursuant to relevant laws and regulations, the Company sets up social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for the staff, and makes full payments to the above social insurance and housing funds according to regulations. Meanwhile, the Company establishes supplementary medical insurance system providing the staff with supplementary medical care at the Company's cost.

Directors, Supervisors, Senior Management and Staff

(III) Retirement welfare

The Group has provided Pension Scheme as required by the government for full-time employees in mainland China, that is to say, the Group has, based on certain proportion of the total salary of employees, paid retirement pensions to social security authorities designated by the government. After retirement, the government shall be responsible to pay retirement pensions to retirees. According to above-mentioned defined scheme, the Group shall not bear responsibility for the post-retirement benefit exceeding above contributions. The contributions made to such scheme are charged to costs when incurred.

(IV) Training programs

In line with the development trend of the industry innovation and transformation, the Company continued to center its training work on the aspects including business innovation, induction education, management capability and cultivation of internal trainers, propelled the training work with a combination of centralized trainings and external trainings as well as on-site trainings and internet trainings, its annual training plan is implemented smoothly. During the whole year, the Company completed 23 centralized trainings and 63 off-site trainings, with approximately 1,089 participants on site and over 1,000 participants by the way of remote video or internet trainings. 97.8% of the participants completed the studies provided by the internet training school. In 2015, the Company's internal trainers provided 176 hours of lectures in total, and developed 16 courses. The Company improved outbound training courses, customized the training programs based on the principle of specialization, and arranged training programs in succession for FICC business trips to the United States, which provided a strong support for the development of the Company innovation business. In order to promote the construction of the whole business chain and adapt to the innovation trend of the industry, the Company organized overseas trainings and sharing meetings and provided training courses on the whole business chain through internet school and live videos, which actively propelled the construction of the whole business chain of the Company. The Company also established an internal regular training mechanism for every department, and organized every department to formulate and implement their own the annual training curriculum with a total of 300 courses.

VII. CUSTOMER SOLICITATION AND CUSTOMER SERVICE BY THE BROKERS COMMISSIONED BY THE COMPANY

All the 245 securities branches established by the Company were able to implement securities brokerage system in compliance with the regulatory rules. At the end of 2015, the company had a total of 5,145 sales staff, of which 1,468 worked with labor contract and 3,677 worked with commission contract.

In building its sales team, the Company upheld the commitment to expanding the business in compliance with regulations and protecting the rights and interests of investors, so as to achieve a concentrated and unified management through the improvement of effective management system covering qualification management, training management, behavioral code, information inquiry, customer survey, abnormal transaction monitoring, mal-practice punishment, performance evaluation, etc. The Company and its branches duly performed the responsibilities and watched over each other, as regular inspection and non-scheduled spot-check are introduced to ensure the standardization and effectiveness of management.

Directors, Supervisors, Senior Management and Staff

During the Reporting Period, all the branches of the Company implemented the corporate rules on the daily operation management of sales staff stringently. The sales staff monitoring system was able to early warn the abnormal transaction behavior of a customer served by the designated sales person, so that the risk control staff could check and review it, and that all the branches could properly handle the complaints of customers in time, discover and report the mal-practices of sales staff to the supervisory division in time, hold the responsible person into account, and correct the relevant problems spotted in self-check timely.

The sales team has played an active role in market expansion and customer development of the Company, and accomplished expected results.

Corporate Governance Report

I. DESCRIPTIONS OF CORPORATE GOVERNANCE

As a company listed both in the Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements set forth in the laws, regulations and normative documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements of the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies, the Rules for Governance of Securities Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules and other relevant laws and regulations as well as the Articles of Association of the Company, in order to establish a modern corporate system, and shaped a corporate governance structure where checks and balances among the general meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and according to relevant rules and regulations.

(I) Corporate governance

During the Reporting Period, the Company conducted its operations and management in a standard and orderly manner. Various rules and regulations have been formulated and continuously refined in strict compliance with the requirements of laws, regulations and normative documents for standardization of its operation. Currently, the Company has established the following main systems and their public disclosure status are set out below:

Main Rules and Regulations of the Company	Public Disclosure Status
Articles of Association	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules of Procedures of the General Meeting of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules of Procedures of the Board of Directors of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Terms of Reference of the Special Committees under the Board of Directors of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Working System for Independent Directors of the Company	Has not been disclosed publicly
Rules of Procedures of the Supervisory Committee of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Working Rules of the President of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange

Corporate Governance Report

Main Rules and Regulations of the Company	Public Disclosure Status
Working Rules of the Secretary to the Board of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Decision Making System of the Company for External Guarantee	Has not been disclosed publicly
Regulations on the Management of Proceeds of the Company	Has not been disclosed publicly
Decision Making System of the Company for Connected Transactions	Has not been disclosed publicly
Administrative System regarding Investor Relationship of the Company	Has not been disclosed publicly
Administrative Measures of the Company for Information Disclosure	Has not been disclosed publicly
Accountability System for Material Errors of Information Disclosure in the Annual Report of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Internal Reporting System for Material Information of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
System regarding Insider Registration and Management and Confidentiality of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules concerning Work on Annual Reports of the Audit Committee of the Board of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules on Auditing of Annual Reports of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Compliance Management System of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Strategic Management System of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Shareholders' Return Plan for the Coming Three Years (2014-2016) of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management	Has been disclosed publicly on the website of Shanghai Stock Exchange

Corporate Governance Report

During the Reporting Period, since the overseas listed foreign shares (H shares) of the Company were issued and listed on the main board of the Hong Kong Stock Exchange, the Company further amended and improved the Articles of Association, the Decision Making System for Connected Transactions, the Decision Making System for External Guarantee, Terms of Reference of the Special Committees under the Board of Directors, Working Rules of the President, Working Rules of the Secretary to the Board, Administrative Measures for Information Disclosure, Administrative System regarding Investor Relationship, Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management and System regarding Insider Registration, Management and Confidentiality, in order to meet the relevant regulatory requirements. In the meantime, the Company formulated or amended the Programs for Continuous Improvement in Internal Control in 2015, Compliance Management System, Accounting System and Remuneration Management System, all of which have been considered and approved by the Board or the general meeting of the Company. In addition, during the Reporting Period, upon approval by the Board and Supervisory Committee as well as the general meeting, the Company made adjustments to the composition of the third session of the Board, the committees under the Board and the Supervisory Committee, in order to make full advantage of their professional advantages and improve the efficiency and level of decision-making. Owing to the establishment and continuous improvement of the above systems, the Company saw a continuous improvement in its corporate governance structure and corporate governance level.

The convening, holding and voting procedures of the general meeting, the Board and Supervisory Committee were standard, legal and valid, and the Company disclosed truthful and accurate information in a complete, timely and fair manner. The Company carried out investor relationship management in a standard and professional manner, and carried out insider information management and registration of insiders in strict compliance with the requirements of the System regarding Insider Registration and Management and Confidentiality of the Company and other relevant rules. The Company adhered to the principle of scientificity, standardization and transparency when practicing corporate governance.

Since the listing of A shares of the Company in 2010, the Company has been rated as Class AA under Category A according to the classification of securities companies carried out by the CSRC for six consecutive years. It has obtained the “Nomination Award for the Information Disclosure of Listed Companies in 2011” (2011年度上市公司信息披露提名獎) and “Information Disclosure Award for Listed Companies in 2012” (2012年度上市公司信息披露獎) from Shanghai Stock Exchange, and has been assigned with the rating of Grade A, the highest grade, in the evaluation of information disclosure work of listed companies organized by Shanghai Stock Exchange in 2013 and 2014. Meanwhile, the Company has been selected as a constituent stock of the SSE Corporate Governance Index and SSE 180 Corporate Governance Index.

Corporate Governance Report

1. Shareholders and the general meeting

The general meeting is the supreme authority of the Company, and all shareholders exercise their powers through such meeting. The Company convened and held general meetings in strict compliance with the Articles of Association, Rules of Procedures of the General Meeting and other relevant regulations, and ensured all shareholders, especially the minority shareholders, enjoyed equal status and full exercise of their rights. The largest shareholder and the actual controller of the Company exercised their rights in accordance with the laws, regulations and the Articles of Association, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the general meeting nor appropriated any fund of the Company or requested the Company to provide any external guarantee. The Company was completely independent from its largest shareholder and actual controller in terms of the staff, assets, finance, organization and business.

2. Directors and the Board

The appointment and change of the Directors were in strict compliance with the Articles of Association. The number and composition of the Board conformed to the requirements of the relevant laws and regulations. The Board has continuously improved its rules of procedure. All the Board meetings were duly convened and held, and all voting procedures at the meetings were legal and valid. The Company has established a Working System for Independent Directors, and all the independent directors have independently and objectively worked to protect the legitimate rights and interests of the Company and its shareholders, and played a role of check and balance in the decisions-making process of the Board. All directors performed their respective responsibilities with due diligence in accordance with relevant requirements, and worked to protect the interests of the Company and all shareholders.

There are no relations (including fiscal, business, family or other material or connected relations) among directors, supervisors and senior management, especially between the Chairman and the President.

The Company believed that increasing diversity in the Board of Directors is one of the key factors to support the realization of its strategic goals and maintain its sustainable development. Therefore, the Company formulated the Policy on Diversity of Members of the Board which stipulated that when setting the member structure of the Board, considerations should be given to a number of factors including but not limited to gender, age, cultural and educational background, professional experience, expertise, knowledge and reputation of service. Ultimately, the decision is made on the basis of the value of a candidate and the potential contribution to the Board of Directors from a candidate. All the nominations for the Board of Directors should be in compliance with the principle of meritocracy, and in choosing appropriate member, full attention should be paid to the positive effect of diverse board membership according to objective conditions. The nomination committee is supposed to present the structure of the Board in terms of diversity in the annual report each year, inspect the implementation of the Policy on Diversity of Members of the Board and review the policy in due course in order to ensure its efficacy. The nomination committee will also discuss any necessary amendments to the Policy on Diversity of Members of the Board and then submit the advices for amendment to the Board of Directors for consideration and approval.

Corporate Governance Report

3. Supervisors and the Supervisory Committee

The appointment and change of the supervisors were in strict compliance with the Articles of Association. The number and composition of the Supervisory Committee conformed to the requirements of the relevant laws and regulations. The Supervisory Committee has continuously improved its rules of procedure. All the meetings of the Supervisory Committee were duly convened and held, and all voting procedures at the meetings were legal and valid. The Supervisory Committee is responsible to the general meeting. Based on the principle of being responsible to all shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the management of the Company. All supervisors diligently performed their duties, attended all meetings of the Supervisory Committee and sat in the meetings of the Board of Directors as non-voting delegates, made reports to the general meeting and submitted its work report.

4. Senior management of the Company

The appointment and change of the senior management were in strict compliance with the Articles of Association. The procedures for appointment of senior management complied with the Company Law and the Articles of Association. The Company has formulated the Working Rules of the President and the Working Rules of the Secretary to the Board and other rules and regulations. The senior management of the Company conducted operations and performed their duties legally and diligently in accordance with the laws, regulations and authorizations of the Board, in order to maximize shareholder's benefits and social benefits.

5. Information disclosure and transparency of the Company

The Company disclosed information in a truthful, accurate, complete and timely manner in strict compliance with the requirements of laws, rules and relevant regulations, and ensured that all shareholders had an equal access to the relevant information of the Company, thereby ensuring the transparency of the Company. The Company strengthened the management of insider information, worked to ensure the confidentiality of insider information, and safeguarded the principle of fairness in information disclosure in strict compliance with the System regarding Insider Registration and Management and Confidentiality of the Company. The Board designated the secretary to the Board to be responsible for the Company's information disclosure, and the Office of the Board of Directors also assisted the secretary in information disclosure. Meanwhile, the Company also arranged specific person to answer telephone enquiries of investors and questions from investors via e-mails, actively entertained institutional investors during their on-site survey, and set up an investor relations section on the Company's website.

6. Stakeholders

The Company gave full respects to the shareholders, customers, staff and other stakeholders and protected their legitimate rights and interests from the perspective of system building and in each link of business operation, ensured the development of the Company in a sustainable, harmonious, healthy and standard way, in order to achieve all-win results for the Company and all stakeholders, thus maximizing the Company's profits and social benefits.

Corporate Governance Report

During the Reporting Period, according to the requirements of the regulatory departments, the Company further improved its organizational structure, institutional building and strengthened management of insider information, and ensured the actual status of the corporate governance of the Company complied with the requirements of the normative documents published by the CSRC regarding the corporate governance of listed companies. During the period from the date of Listing, June 1, 2015, to December 31, 2015, the Company strictly complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules, and has met most of the recommended best practices in the Corporate Governance Code.

(II) Formulation and implementation of insider registration and management system

The Company formulated the System regarding Insider Registration and Management and Confidentiality in April 2010 in accordance with the requirements of relevant laws and regulations, normative documents and the Articles of Association of the Company and in light of the actual situation of the Company, which was considered and approved at the 17th meeting of the first session of the Board, in order to strengthen the management of insider information, maintain the confidentiality of insider information, ensure fair information disclosure and protect the legitimate rights and interests of the investors.

In December 2011, according to the Provisions on the Establishment of an Insiders Registration and Management System by Listed Companies (《關於上市公司建立內幕信息知情人登記管理制度的規定》) (CSRC Announcement [2011] No. 30) by CSRC and the Circular on Filing Records of Insiders by Listed Companies (《關於做好上市公司內幕信息知情人檔案報送工作的通知》) (SSE Circular [2011] No. 1501) by Shanghai Stock Exchange, the Company made amendments to the System regarding Insider Registration, Management and Confidentiality, which were considered and approved at the 7th meeting of the second session of the Board.

During the Reporting Period, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the System regarding Insider Registration and Management and Confidentiality, which were considered and approved at the 16th meeting of the third session of the Board of the Company. During the Reporting Period, the Company made more efforts to maintain the confidentiality of insider information, performed its obligation of insider registration, management and confidentiality diligently, kept records of the names of insiders who had accessed to the insider information at the stage of negotiation, planning, demonstration and consultation and contracting as well as in the processes of reporting, delivery, preparation, auditing, resolution and disclosing before its final disclosure in strict compliance with the System regarding Insider Registration, Management and Confidentiality, and kept records of information relating to insiders and memos of progress of major events, in order to effectively prevent insider trading and properly carry out information disclosure.

During the year, the Company organized internal investigation into trading of shares and derivatives of the Company by insiders, and found that none of the holders of insider information had made use of insider information in share transactions before any information disclosure of significant price-sensitive nature that may affect the share price of the Company, and the Company has not received any punishment or administrative measures imposed by regulatory departments due to the implementation of the Insider Registration and Management System or the possible involvement in insider trading.

Corporate Governance Report

(III) Corporate governance policies and the Board's responsibilities on corporate governance

The Company has followed all the principles in the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules in the preparation of its own corporate governance policies in strict compliance with the Hong Kong Listing Rules. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

- (1) to formulate and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and the senior management;
- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to formulate, review and monitor the code of conduct and compliance manual applicable to monitor employees and Directors, if any; and
- (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

(IV) Securities transactions by directors, supervisors and employees

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all directors and supervisors. According to the domestic regulatory requirements, the Company convened the 13th meeting of the third session of the Board on November 25, 2014 to consider and approve the Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (the "Administrative System") in order to regulate holding and trading in the shares of the Company by directors, supervisors and senior management. During the Reporting Period, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the Administrative System, which were considered and approved at the 16th meeting of the third session of the Board. The compulsory provisions contained in the Administrative System are stricter than those under the Model Code. Having made all enquiries with directors, supervisors and senior management, the Company confirmed that all directors, supervisors and senior management had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on the corporate governance and operation of the Company, in order to ensure the relevant provisions under the Hong Kong Listing Rules are well observed and to protect the interests of the shareholders. Please refer to the section of "Directors, Supervisors, Senior Management and Staff" — "I. Changes in Shareholding Structure and Remuneration" — "(I) Changes in shareholding structure and remuneration of current and retired directors, supervisors and senior management during the Reporting Period" for details about the shareholding of the directors, supervisors and senior management of the Company.

Corporate Governance Report

II. BRIEF INTRODUCTIONS TO THE GENERAL MEETINGS

Meeting	Convening date	Resolutions	Status	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publication of the resolution
2014 Annual General Meeting	March 30, 2015	<ol style="list-style-type: none"> 1. Work Report of the Board of Directors of the Company for 2014; 2. Work Report of the Supervisory Committee of the Company for 2014; 3. Resolution on the Annual Report of the Company for 2014; 4. Final Account Report of the Company for 2014; 5. Resolution on the Profit Distribution of the Company for 2014; 6. Resolution on the Anticipation of Ordinary Connected Transactions of the Company for 2015; 7. Resolution on the Anticipation of the Amount of the Company's Own Investment for 2015; 8. Resolution on the Renewal of the Accounting Firm of the Company; 9. Resolution on the Purchase of Liability Insurance for the Directors, Supervisors and Senior Management of the Company; 10. Resolution on the Provision of Guarantee on the Net Capital of the Company's Wholly-owned Subsidiary Huatai Securities (Shanghai) Asset Management Co., Ltd.; 11. Resolution on the Company's Inclusion of the Stock Options Market-making Business into its Scope of Operations and Amendments to the Articles of Association; 12. Resolution on the Public Issuance of Corporate Bonds by the Company; 13. Resolution on the Election of Members of the Third Session of the Board of the Company; 14. Resolution on the Amendments to the Decision Making System of the Company for Connected Transactions; and 15. Resolution on the Amendments to the Decision Making System of the Company for External Guarantee. 	All resolutions were considered and approved.	http://www.sse.com.cn http://www.htsc.com.cn	March 31, 2015

Corporate Governance Report

Meeting	Convening date	Resolutions	Status	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publication of the resolution
The first extraordinary general meeting in 2015	October 9, 2015	<ol style="list-style-type: none"> Resolution on the Appointment of Ms. Xu Min as a Non-executive Director of the Third Session of the Board of the Company; Resolution on the Appointment of Mr. Chen Zhibin as an Independent Non-executive Director of the Third Session of the Board of the Company; Resolution on the Appointment of Ms. Liu Zhihong as a Member of the Third Session of the Supervisory Committee of the Company; Resolution on the Establishment of a Stock-based Remuneration Scheme of the Company; and Resolution on the Company's General Mandate to Issue Domestic Debt Financing Instruments. 	All resolutions were considered and approved	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	October 10, 2015

Explanations on General Meetings

During the Reporting Period, the Company held two general meetings in total, the details of which are as follows:

- The Company's 2014 annual general meeting was held on March 30, 2015 at Nanjing Guomao International Hotel through a combination of on-site voting and online voting. 15 resolutions were considered and approved at the meeting. The said meeting was convened by the Board of the Company and chaired by Chairman Wu Wanshan, and certain directors, supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company sat in the meeting as non-voting delegates and answered queries from the shareholders. Please refer to the announcements published on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the Company's website (www.htsc.com.cn) and on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, for details of the resolutions on the said meeting.

Corporate Governance Report

2. The Company's first extraordinary general meeting in 2015 was held on October 9, 2015 at Nanjing Hanyuelou Hotel through a combination of on-site voting and online voting. 5 resolutions were considered and approved at the meeting. The said meeting was convened by the Board of the Company and chaired by Chairman Wu Wanshan and certain directors, supervisors and the secretary to the Board attended the meeting, and certain senior management of the Company, witnessing lawyers employed by the Company and relevant personnel of Hong Kong Securities Clearing Company Ltd sat in the meeting as non-voting delegates and answered queries from the shareholders. Please refer to the announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn), the HKEx news website of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.htsc.com.cn) and on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, for details of the resolutions on the said meeting.

None of the shareholders of the Company are holders of preference shares with voting rights restored. Therefore, none of the extraordinary general meetings were convened by holders of preference shares with voting rights restored, or they convened or chaired any general meeting or proposed any proposal at a general meeting during the Reporting Period.

Corporate Governance Report

III. MEETINGS OF THE BOARD DURING THE REPORTING PERIOD

Meeting	Date of meeting	Resolutions
The 15th Meeting of the Third Session of the Board	January 23, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Application for Conducting Stocks and Options Brokerage Business by the Company; 2. Resolution on the Application for Conducting Ordinary Options Proprietary Trading Business by the Company; 3. Resolution on the Application for Conducting Professional Options Trading Business by the Company; and 4. Resolution on the Expansion of the Overall Scale of Margin Financing and Securities Lending Business of the Company.
The 16th Meeting of the Third Session of the Board	March 6, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Work Report of the President of the Company for 2014; 2. Final Account Report of the Company for 2014; 3. Financial Budget Report of the Company for 2015; 4. Proposal on the Profit Distribution Plan of the Company for 2014; 5. Work Report of the Board of the Company for 2014; 6. Resolution on the Annual Report of the Company for 2014; 7. Resolution on the Annual Compliance Report of the Company for 2014; 8. Resolution on the Internal Control Assessment Report of the Company for 2014; 9. Resolution on the Social Responsibility Report of the Company for 2014; 10. Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2015; 11. Proposal on the Anticipation of the Amount of the Company's Own Investment for 2015; 12. Proposal on the Renewal of the Company's Accounting Firm; 13. Resolution on the Purchase of Liability Insurance for the Directors, Supervisors and Senior Management of the Company; 14. Resolution on the Provision of Guarantee on the Net Capital of the Company's Wholly-owned Subsidiary Huatai Securities (Shanghai) Asset Management Co., Ltd.;

Corporate Governance Report

Meeting	Date of meeting	Resolutions
		15. Resolution on the Company's Inclusion of the Stock Options Market-making Business into its Scope of Operations and Amendments to the Articles of Association;
		16. Resolution on the Public Issuance of Corporate Bonds by the Company;
		17. Proposal on the Election of Members of the Third Session of the Board of the Company;
		18. Resolution on the Adjustment of the Members of the Development Strategy Committee of the Third Session of the Board of the Company;
		19. Resolution on the Amendments to the Decision Making System of the Company for Connected Transactions;
		20. Resolution on the Amendments to the Decision Making System of the Company for External Guarantee;
		21. Resolution on the Amendments to the Terms of Reference of the Special Committees under the Board of the Company;
		22. Resolution on the Amendments to the Working Rules of the President of the Company;
		23. Resolution on the Amendments to the Working Rules of the Secretary to the Board of the Company;
		24. Resolution on the Amendments to the Administrative Measures for Information Disclosure of the Company;
		25. Resolution on the Amendments to the Administrative System regarding Investor Relationship of the Company;
		26. Resolution on the Amendments to the Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management of the Company;
		27. Resolution on the Amendments to the System regarding Insider Registration and Management and Confidentiality of the Company;
		28. Resolution on the Amendments to the Accounting System of the Company;
		29. Resolution on the Amendments to the Relevant Provisions of the Compliance Management System of the Company; and
		30. Resolution on Convening Annual General Meeting of the Company for 2014.

Corporate Governance Report

Meeting	Date of meeting	Resolutions
The 17th Meeting of the Third Session of the Board	March 30, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on Expanding the Scale of the Company's Securities-backed Lending Business.
The 18th Meeting of the Third Session of the Board	April 22, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the First Quarterly Report of Company for 2015; and 2. Resolution on the Expansion of the Scope of Foreign Exchange Business of the Company.
The 19th Meeting of the Third Session of the Board	May 6, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Change of the Members of the Audit Committee and the Development Strategy Committee under the Third Session of the Board of the Company.
The 20th Meeting of the Third Session of the Board	May 12, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Determination of the Global Offering of the H Shares (Hong Kong Public Offering and International Offering) and Their Listing on the Hong Kong Stock Exchange.
The 21st Meeting of the Third Session of the Board	May 29, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Application for Conducting Private Placement Financing Business of the Listed Companies by the Company; and 2. Resolution on the Formulation of the 2015 Program for Continuous Enhancement of Internal Controls of the Company.

Corporate Governance Report

Meeting	Date of meeting	Resolutions
The 22nd Meeting of the Third Session of the Board	June 15, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Expansion of the Scope of Margin Financing and Securities Lending Business of the Company; 2. Resolution on the Expansion of the Scope of the Securities-backed Lending Business of the Company; and 3. Resolution on Increasing Capital Contribution to Huatai Zijin Investment Co., Ltd.
The 23rd Meeting of the Third Session of the Board	August 21, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Interim Report of the Company for 2015; 2. Resolution on the Interim Compliance Report of the Company for 2015; 3. Proposal on the Appointment of Ms. Xu Min as a Member of the Third Session of the Board of the Company; 4. Proposal on the Appointment of Mr. Chen Zhibin as an Independent Director of the Third Session of the Board of the Company; 5. Resolution on the Adjustment of the Members of the Compliance and Risk Management Committee and the Audit Committee under the Third Session of the Board of the Company; 6. Resolution on General Mandate to Issue Domestic Debt Financing Instruments by the Company; 7. Resolution on the Adjustment of the Internal Organizational Structure of the Company; 8. Resolution on the Amendments to the Relevant Provisions of the Remuneration Management System of the Company; 9. Resolution on the Establishment of a Stock-based Remuneration Plan of the Company; 10. Resolution on the Adjustment of Investment Amount of the “Huatai Securities Square” Project; and 11. Resolution on Convening the First Extraordinary General Meeting of the Company in 2015.

Corporate Governance Report

Meeting	Date of meeting	Resolutions
The 24th Meeting of the Third Session of the Board	October 30, 2015	<p>The following resolutions were considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Third Quarterly Report of the Company for 2015; and 2. Resolution on Changing the Standard of Provision for Bad Debts arising from Financing Business by the Company.
The 25th Meeting of the Third Session of the Board	December 23, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on the Change of the Member of the Remuneration and Appraisal Committee and the Nomination Committee of the Third Session of the Board of the Company.
The 26th Meeting of the Third Session of the Board	December 24, 2015	<p>The following resolution was considered and approved:</p> <ol style="list-style-type: none"> 1. Resolution on Recommending the Candidate to Perform the Duties of Legal Representative on its behalf of the Company.

Note: Please refer to the announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn), the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk), the Company's website (www.htsc.com.cn) and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, for details of the resolutions on the said Board meetings.

Corporate Governance Report

IV. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

Name	Date of Meeting	Resolutions
The 8th Meeting of the Third Session of the Supervisory Committee	March 6, 2015	The following resolutions were considered and approved: <ol style="list-style-type: none"> 1. Work Report of the Supervisory Committee of the Company for 2014; 2. Resolution on the Annual Report of the Company for 2014; 3. Resolution on the Evaluation Report on the Internal Control of the Company for 2014; and 4. Resolution on the Amendments to the Accounting Policies of the Company.
The 9th Meeting of the Third Session of the Supervisory Committee	April 22, 2015	The following resolution was considered and approved: <ol style="list-style-type: none"> 1. Resolution on the First Quarterly Report of the Company for 2015.
The 10th Meeting of the Third Session of the Supervisory Committee	August 21, 2015	The following resolutions were considered and approved: <ol style="list-style-type: none"> 1. Resolution on the Interim Report of the Company for 2015; and 2. Proposal on the Election of MS. Liu Zhihong as a Member of the Third Session of the Supervisory Committee of the Company.
The 11th Meeting of the Third Session of the Supervisory Committee	October 30, 2015	The following resolutions were considered and approved: <ol style="list-style-type: none"> 1. Resolution on the Third Quarterly Report of the Company for 2015; and 2. Resolution on Changing the Standard of Provision for Bad Debts arising from Financing Business by the Company.

Note: Please refer to the announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn), the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk), the Company's website (www.htsc.com.cn) and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, for details of the resolutions on the said meetings of the Supervisory Committee.

Corporate Governance Report

V. PERFORMANCE OF DUTIES OF DIRECTORS

(I) Attendance of directors at board meetings and general meetings

Name of Director	Whether or not he/she is an independent director	Number of Board meetings requiring attendance during the year	Attendance at Board meetings				Whether or not he/she failed to attend the meeting in person for two consecutive times	Attendance at general meetings Times of attendance at general meetings
			Attendance in person	Attendance by teleconference	Attendance by proxy	Absence		
Wu Wanshan	No	10	10	6	0	0	No	2
Sun Lu	No	12	10	8	2	0	No	0
Zhou Yi	No	12	11	8	1	0	No	1
Wang Shuhua	No	12	10	8	2	0	No	0
Pu Baoying	No	12	12	8	0	0	No	0
Sun Hongning	No	12	11	8	1	0	No	0
Zhou Yong	No	12	11	8	1	0	No	1
Xue Binghai	No	0	0	0	0	0	No	0
Cai Biao	No	12	12	8	0	0	No	2
Xu Min	No	3	3	2	0	0	No	1
Ying Wenlu	No	9	8	6	1	0	No	0
Wang Huijuan	No	1	1	1	0	0	No	0
Bai Wei	Yes	12	10	8	2	0	Yes	2
Shen Kunrong	Yes	12	12	8	0	0	No	1
Liu Hongzhong	Yes	12	12	8	0	0	No	1
Zhang Jie	Yes	10	9	6	1	0	No	2
Lee Chi Ming	Yes	8	8	5	0	0	No	1
Chen Zhibin	Yes	3	2	2	1	0	No	1
Wang Quanzhou	Yes	4	4	3	0	0	No	0

Corporate Governance Report

Explanation on the failure to attend Board meetings in person for two consecutive times

Mr. Bai Wei failed to attend the 23rd meeting of the third session of the Board in person due to business engagement, and had authorized independent director Mr. Liu Hongzhong in writing to vote on his behalf. Mr. Bai Wei failed to attend the 24th meeting of the third session of the Board in person due to business engagement, and had authorized independent director Ms. Zhang Jie in writing to vote on his behalf. As such, there was no absence of Mr. Bai Wei.

Number of Board meetings convened during the year	12
Of which: number of on-site meetings	3
Number of meetings held by teleconference	1
Number of meetings held both on-site and via teleconference	8
Board meetings	All resolutions were passed unanimously by poll

(II) Objections raised by independent directors

During the Reporting Period, no objections were raised by independent non-executive directors to resolutions at board meetings or other meetings.

(III) Board of Directors and the operating management

1. Composition of the Board

According to the Articles of Association of the Company, the Board shall be composed of 15 directors, and at least 1/3 of them shall be independent directors. At the end of the Reporting Period, the Board of the Company was composed of 13 directors, including 1 executive director (Zhou Yi), 7 non-executive directors (Sun Lu, Wang Shuhua, Pu Baoying, Sun Hongning, Zhou Yong, Cai Biao and Xu Min) and 5 independent non-executive directors (Bai Wei, Shen Kunrong, Liu Hongzhong, Lee Chi Ming and Chen Zhibin). The Company will elect 2 appropriate persons to fill the vacancies and perform the duties as directors of the Board as soon as possible.

The members of the Board shall be elected and changed by the general meeting for a term of 3 years from the date on which their appointments are approved by the general meeting and their qualifications of being directors of securities companies are obtained and approved by the CSRC or its delegated authority. Directors are eligible for re-election upon the expiration of their terms. However, the successive terms of independent non-executive directors may not be more than 6 years. In accordance with relevant requirements of Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual written confirmation from each independent non-executive director with regard to his/her independence. Based on these confirmations and the relevant information available to the Board, the Board continues to confirm that it is independent.

Corporate Governance Report

Pursuant to the authorization of the 2014 Annual General Meeting, the Company purchased liability insurance for the directors, supervisors and senior management, to protect them against the compensation liabilities that may arise from performing their duties and to reasonably avoid management risk and legal risk which the directors, supervisors and senior management may be exposed to, and to encourage them to earnestly fulfill their duties and responsibilities.

2. Duties and responsibilities of the Board

The Board is the decision-making body of the Company and shall report its work to the general meeting. According to the Articles of Association, the Board shall exercise the following major functions and powers: to convene general meetings and report to general meetings; to implement resolutions of general meetings; to resolve on the Company's business plans and investment plans; to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to formulate proposals for the Company in respect of increase or reduction of registered capital, issue of bonds or other securities and the listing thereof; to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to determine, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned wealth management, connected transactions, etc.; to decide on the establishment of internal management organizations of the Company; to appoint or dismiss the president and secretary to the Board of the Company; to appoint or dismiss senior management officers including vice president(s) and the financial controller of the Company in accordance with the nominations by president, and to determine their remunerations, rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage information disclosure of the Company; to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services to the Company; to listen to work reports of the president and review his/her work; to formulate risk control system; to determine directors' remunerations and distribution plan thereof; and to exercise other functions and powers as stipulated by laws, administrative regulations, department rules or the Articles of Association.

Corporate Governance Report

3. Duties and responsibilities of the operating management

According to the Articles of Association, the principal person in charge of the operation and management of the Company shall report to the Board or the Supervisory Committee on the signing and execution of material contracts, usage of funds as well as profit and loss of the Company as requested by the Board or the Supervisory Committee. The principal person in charge of the operation and management refers to the president, or the person in charge of the management committee or executive committee exercising the power of the president of the Company. The president shall be accountable to the Board and exercise the following functions and powers: to manage the daily business operations of the Company, organize and implement the Board's resolutions, and report to the Board; to formulate the Company's development plans, annual operational plans and investment plans; to organize the implementation of the Company's annual operational plan and investment plan; to prepare the plan for the establishment of internal management structure of the Company; to prepare the plan of the basic management system of the Company; to formulate the Company's specific rules; to deal with important business and affairs externally on behalf of the Company; to propose to the Board to appoint or dismiss the vice president, financial controller, chief compliance officer, chief risk officer and other senior management officers of the Company; to decide to appoint or dismiss executives other than those appointed or dismissed by the Board; to determine the awards and punishments, promotion and demotion, increase/decrease of salaries, appointment, dismissal, and recruitment of the staff of the Company; to temporarily deal with the emergencies in the operation activities which shall be determined by the Board and reported to the Board of the Company afterwards; and to exercise other functions and powers conferred in these Articles of Association or by the Board.

4. Implementation by the Board of resolutions passed at general meetings

- (1) On March 7, 2014, the first extraordinary general meeting of the Company in 2014 considered and approved the Resolution on the Issuance of Short-term Financing Securities by the Company. Pursuant to which, upon approval by the Circular of PBOC on Issuance of Short-term Financing Securities by Huatai Securities Co., Ltd. (Yin Fa [2014] No. 112), the Company issued a total of four tranches of short-term financing securities in a total amount of RMB11 billion during the Reporting Period.
- (2) On December 11, 2014, the fourth extraordinary general meeting of the Company in 2014 considered and approved the Resolution on the Issuance of Subordinated Bonds by the Company, pursuant to which, the Company issued a total of three tranches of subordinated bonds in a total amount of RMB36 billion during the Reporting Period.

Corporate Governance Report

- (3) On December 11, 2014, the fourth extraordinary general meeting of the Company in 2014 considered and approved the Resolution on the Issuance of the H Shares by the Company and Its Listing in Hong Kong (《關於公司發行H股股票並在香港上市的議案》) and other resolutions, pursuant to which, upon the Reply of CSRC concerning the Approval of Issuance of Overseas Listed Foreign Shares by Huatai Securities Co., Ltd. (《關於核准华泰證券股份有限公司發行境外上市外資股的批覆》) (Zheng Jian Xu Ke [2015] No. 685) and the hearing of the Listing Committee of the Hong Kong Stock Exchange, 1,540,000,000 overseas listed foreign shares (H Shares) of the Company were listed and traded on the main board of the Hong Kong Stock Exchange on June 1, 2015. In the meantime, 179,045,680 H Shares of the Company were listed and traded on the main board of the Hong Kong Stock Exchange on June 24, 2015 due to partial exercise of over-allotment option.
- (4) On December 11, 2014, the fourth extraordinary general meeting of the Company in 2014 considered and approved the Resolution on the Amendments to the Articles of Association (H Shares) of Huatai Securities Co., Ltd. Meanwhile, the Annual General Meeting of the Company for 2014 considered and approved the Resolution on the Company's Inclusion of the Stock Options Market-making Business into its Scope of Operations and Amendments to the Articles of Association on March 30, 2015. Pursuant to the resolution passed at the said general meeting and the relevant authorization to amend the Articles of Association granted by the resolution, upon approval by the CSRC and Jiangsu Securities Regulatory Bureau, the Company completed the formalities for change and filing with the competent industry and commerce authority relating to the amendments to the Articles of Association during the Reporting Period.
- (5) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Profit Distribution Plan of the Company for 2014, pursuant to which, during the Reporting Period, the Company distributed cash dividend of RMB0.50 per share (tax inclusive) to all shareholders aggregating to RMB2,800 million based on the total share capital of 5,600,000,000 shares as at December 31, 2014. All of the remaining undistributed profit was carried forward for future distribution. Such profit distribution plan was completed during the Reporting Period.
- (6) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Anticipation of Ordinary Connected Transactions of the Company for 2015. Please refer to "Major Events" – "XII. Material Connected Transaction" for details about the actual implementation of the ordinary connected transactions by the Company according to the said resolution during the Reporting Period.
- (7) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Anticipation of the Amount of the Company's Own Investment for 2015. Pursuant to which, the Company's relevant operational indicators were all kept within the scope of authorization by the general meeting during the Reporting Period.

Corporate Governance Report

- (8) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Renewal of the Company's Accounting Firm, pursuant to which, the Company renewed the appointment of KPMG Huazhen LLP as the auditor of the Company and the subsidiaries controlled by it to audit the financial statements and internal control for 2015.
- (9) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Purchase of Liability Insurance for the Directors, Supervisors and Senior Management of the Company, pursuant to which, the Company purchased liability insurance for the relevant persons in compliance with the Corporate Governance Code and Corporate Governance Report as set out in the Appendix 14 to the Hong Kong Listing Rules and the industrial practices during the Reporting Period.
- (10) On March 30, 2015, the annual general meeting of the Company for 2014 considered and approved the Resolution on the Public Issuance of Corporate Bonds by the Company, pursuant to which, upon the Reply of CSRC concerning the Approval of Public Issuance of Corporate Bonds to Qualified Investors by Huatai Securities Co., Ltd. (《關於核准华泰證券股份有限公司向合格投資者公開發行公司債券的批覆》) (Zheng Jian Xu Ke [2015] No. 1326), the Company issued one tranche of corporate bonds in a total amount of RMB6,600 million during the Reporting Period.

5. Training of directors

Trainings are provided to the Directors on an on-going basis. The Company attaches great importance to the ongoing training of the directors, in order to ensure that the directors form an appropriate understanding of the operation of the Company and its business and they understand their duties and responsibilities as a director as required by the CSRC, Shanghai Stock Exchange, the Hong Kong Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements. During the Reporting Period, the Company focused on updating their professional knowledge and skills to cater for the needs of the Company's development. In addition to the training organized by the regulatory organizations and self-regulatory organizations as well as the ongoing training courses, the Office of the Board of Directors also prepared the Newsletter of the Company regularly and sent it to the Directors to enable them understand the latest policies and regulations and industrial trends and enhance their knowledge and understanding of the culture and operation of the Company. In addition, the Company continued to improve its internal working procedures, established multi-level information communication mechanism and set up an information communication platform, in order to ensure the access to information for directors to perform their responsibilities and constantly improve their overall performance capability.

Corporate Governance Report

The directors of the Company had taken the following main trainings during the Reporting Period:

Name of directors	Date	Organizer	Description	Place of Training
Wu Wanshan	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
	September 7, 2015 to September 8, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The Fourth Serial Lectures for State-owned Enterprises in Jiangsu	Nanjing
Zhou Yi	September 7, 2015 to September 8, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The Fourth Serial Lectures for State-owned Enterprises in Jiangsu	Nanjing
Sun Lu	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
Wang Shuhua	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
	September 13, 2015 to September 27, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China, and State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government	The Fourth Training Program in the United States for Senior Management of Enterprises owned by the Provincial Government	University of California, San Diego
Pu Baoying	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
	June 20, 2015 to July 18, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The First "Economic Internationalization" Exchange and Training Program for Management of Enterprises Directly owned by the Provincial Government to Study Abroad	University of Oxford, UK

Corporate Governance Report

Name of directors	Date	Organizer	Description	Place of Training
Sun Hongning	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
Zhou Yong	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Companies Listed in Hong Kong	Nanjing
	August 29, 2015 to August 30, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The Third Serial Lectures for State-owned Enterprises in Jiangsu	Nanjing
	September 7, 2015 to September 8, 2015	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The Fourth Serial Lectures for State-owned Enterprises in Jiangsu	Nanjing
Cai Biao	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Ying Wenlu	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Bai Wei	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Shen Kunrong	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Liu Hongzhong	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Zhang Jie	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing

Corporate Governance Report

Name of directors	Date	Organizer	Description	Place of Training
Wang Quanzhou	March 6, 2015	Clifford Chance	Training Program for the Directors, Supervisors and Senior Management of Listed Companies in Hong Kong	Nanjing
Lee Chi Ming	July 6, 2015 to July 9, 2015	Shanghai Stock Exchange	Qualification Training for Independent Directors of Listed Companies	Shanghai
Chen Zhibin	October 20, 2015 to October 22, 2015	Shanghai Stock Exchange	Subsequent Training for Independent Directors of Listed Companies	Beijing

(IV) Chairman and president

In order to keep the balance of powers and authorities, avoid excessive concentration of powers and enhance the independence and accountability, the role of chairman and president of the Company were taken up by different persons, thus taking full advantage of the supervision and restriction functions of the decision-making level to supervise the execution layer. The chairman and the president are two totally separate positions. According to the Articles of Association, the Chairman shall be the legal representative of the Company, whose responsibilities are to take charge of the operation of the Board and to ensure that the Board acts in the best interest of the Company, that the Board operates effectively, fulfills its duties and considers all important and appropriate issues, and that the Directors can receive necessary information in an accurate, timely and clear manner. The president takes charge of the daily operation of the Company, attends the Board meetings and reports his work to the Board, and performs his duties and authorities within its scope of authorization. The former Chairman, Mr. Wu Wanshan, resigned his duties as the chairman of the Board on December 18, 2015 due to work re-allocation. The Company will arrange for the election of the new chairman of the Board in accordance with the requirements of and procedures set out in the Company Law and the Articles of Association of the Company. Our executive director, Mr. Zhou Yi, is the president of the Company.

(V) Non-executive directors

As at the end of the Reporting Period, the Company has 7 non-executive directors and 5 independent non-executive directors. For details of their terms, please refer to the section of "Directors, Supervisors, Senior Management and Staff" — "I. Changes in Shareholding Structure and Remuneration" — "(I) Changes in shareholding structure and remuneration of current and retired directors, supervisors and senior management during the Reporting Period" of this report.

Corporate Governance Report

(VI) Performance of duties by independent non-executive directors

1. Regular reporting of relevant works

All independent non-executive directors have duly performed their duties in the preparation of the annual report in accordance with the requirements of the CSRC and the Working System for Independent Directors of the Company.

During the Reporting Period, KPMG Huazhen LLP formulated the Annual Auditing Plan of the Company for 2014 and sought opinions and advice from the members of the Audit Committee of the Board and independent non-executive directors. On January 27, 2015, the first meeting of the Audit Committee of the third session of the Board in 2015 considered and approved the Resolution on the Annual Auditing Plan of the Company for 2014. The person in charge of accounting affairs and the project team members of KPMG Huazhen LLP also submitted a written report in this regard to each of the members of the Audit Committee.

On February 17, 2015, the second meeting of the Audit Committee of the third session of the Board in 2015 listened to the report of KPMG Huazhen LLP on the auditing work of the Company for 2014 and other matters, and each of the members of the Audit Committee reviewed the 2014 Annual Auditing Report (Draft) and discussed and communicated with the person in charge of accounting affairs of the Company and the project team members of KPMG Huazhen LLP.

On March 5, 2015, the third meeting of the Audit Committee of the third session of the Board in 2015 considered the 2014 Annual Financial Statements, 2014 Assessment Report of Internal Control, Report of the Performance of the Audit Committee in 2014 and 2015 Annual Internal Auditing Plan of the Company, and listened to the report on the internal auditing work of the Company in 2014.

On July 31, 2015, the fifth meeting of the Audit Committee of the third session of the Board in 2015 listened to the report of KPMG on the scope of review and working methods, timetable and main review points for the interim review work for 2015 and discussed and communicated with them.

2. Consideration about connected transactions

On March 6, 2015, independent non-executive directors of the Company as a whole issued an independent opinion on the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2015. They were of the opinion that the relevant connected transactions were conducted on a fair basis, and prices of the relevant transactions were determined after making reference to the market prices without compromising the interests of the Company and other shareholders; the relevant connected transactions were derived in the ordinary business operation of the Company, which would contribute to the normal operation of the Company's business and would generate earnings for the Company; and the procedures for approval of relevant connected transactions complied with the requirements of the laws and regulations, normative documents and the Articles of Association and the Decision Making System of the Company for Connected Transactions.

Corporate Governance Report

3. Other performance of duties

On March 6, 2015, independent non-executive directors of the Company as a whole gave specific explanations and independent opinions on the external guarantees of the Company in 2014 and fund transfers among the Company and controlling shareholders and other connected parties, and gave independent opinions on the Proposal on the Profit Distribution Plan of the Company for 2014, Assessment Report on the Internal Control of the Company for 2014, renewal of accounting firms and nomination of Mr. Lee Chi Ming as a candidate for independent director of the third session of the Board. On August 21, 2015, independent non-executive directors of the Company as a whole gave independent opinions on the nomination of Ms. Xu Min as a candidate for director of the third session of the Board and the nomination of Mr. Chen Zhibin as a candidate for independent director of the third session of the Board.

4. Establishment and improvement of relevant working systems for independent non-executive directors and performance of duties by independent directors

In order to improve the corporate governance structure, promote the regulated operations, safeguard the overall interests of the Company and protect the lawful rights and interests of all shareholders, particularly the minority shareholders, the Company convened the founding ceremony (and the first general meeting) on December 6, 2007, and considered and approved the Working System for Independent Directors. The main contents of the system include: qualifications of independent directors; nomination, election and replacement of independent directors; special powers of independent directors; independent opinions of independent directors; necessary conditions provided for independent directors; and working rules regarding the annual report.

During their term of office, all independent directors complied with the laws and regulations, and performed their duties as independent director honestly and diligently and in strict compliance with the Guidance on the Establishment of Independent Directors System in Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), Certain Regulations on Strengthening the Protection of Interests of Public Shareholders (《關於加強社會公眾股股東權益保護的若干規定》) and the Articles of Association, and made independent, objective and impartial judgments based on their expertise and abilities without being affected by the substantial shareholders of the Company or any other entities or individuals that have an interest in the Company. During the Reporting Period, all independent directors attended the Board meetings and the general meetings earnestly, took an active attitude to understand the operation of the Company and give advice and opinions to the management of the Company, and considered and issued independent opinions on such significant events as the internal control of the Company, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2015, external guarantees provided by the Company, fund transfers among the Company and controlling shareholders and other connected parties, the proposal on the profit distribution plan of the Company for 2014, renewal of accounting firms and appointment of directors, thereby reinforcing the scientificity and objectivity of decisions made by the Board and safeguard the interests of the Company and minority shareholders.

Corporate Governance Report

The number of independent directors accounted for more than 1/2 of the total number of the members of the Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee under the Board. The chairman of each of the three committees (the convener) was an independent director, and he/she convened meetings in accordance with the relevant rules of procedures. In addition, the Development Strategy Committee of the Board also included an independent director.

During the Reporting Period, seven independent directors, namely Bai Wei, Shen Kunrong, Liu Hongzhong, Zhang Jie, Wang Quanzhou, Lee Chi Ming and Chen Zhibin, performed their duties as independent directors in earnest and gave explicit opinions and advice on the resolutions submitted for review from the perspective of strengthening corporate governance, achieving scientific decision-making, promoting stable operation and protect the interests of the Company and its shareholders in accordance with the Articles of Association without any absences. (Note: During the Reporting Period, Wang Quanzhou, an independent director, tendered his resignation to the Board of Directors on April 30, 2015, resigning from the positions of independent director and chairman of the Audit Committee (the convener) of the third session of the Board due to personal reasons. On March 30, 2015, the Company convened the Annual General Meeting for 2014 and appointed Mr. Lee Chi Ming as an independent director of the third session of the Board. On April 30, 2015, Mr. Lee Chi Ming succeeded the position of Wang Quanzhou as independent director and chairman of the Audit Committee (the convener) of the third session of the Board, after obtaining the approval from securities supervision and regulatory departments of directorship qualification. On October 9, 2015, the Company convened the first extraordinary general meeting in 2015, and appointed Mr. Chen Zhibin as an independent director of the third session of the Board to take the positions of independent director and member of Audit Committee. On December 4, 2015, Ms. Zhang Jie, an independent director, tendered his resignation to the Board of Directors, resigning from the positions of independent director and member of the Nomination Committee and Remuneration and Appraisal Committee of the third session of the Board.)

Corporate Governance Report

Attendance of independent directors at meetings held in 2015:

Name	Attendance at Board meetings				Attendance at general meetings	
	Number of meetings requiring attendance	Attendance in person	Attendance by proxy	Absence	Number of meetings requiring attendance	Attendance in person
Bai Wei	12	10	2	0	2	2
Shen Kunrong	12	12	0	0	2	1
Liu Hongzhong	12	12	0	0	2	1
Lee Chi Ming	8	8	0	0	1	1
Chen Zhibin	3	2	1	0	1	1
Wang Quanzhou	4	4	0	0	1	0
Zhang Jie	10	9	1	0	2	2

VI. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE OF DISSENTING EVENTS

The third session of the Board has established the Development Strategy Committee, Compliance and Risk Management Committee, Remuneration and Appraisal Committee, Nomination Committee and Audit Committee.

(I) Development Strategy Committee of the Board

The major duties of the Development Strategy Committee of the Board include: understanding and grasping the completed situation of the Company's operation; understanding, analyzing and grasping the current situation of the international and domestic industry; understanding and grasping the relevant policies of the State; studying the short-term, medium-term and long-term development strategies of the Company or the relevant issues; providing consultancy advice on the Company's long-term development strategy, major investment, reform and other major decisions; considering and approving the special study report on the development strategy; publishing daily research reports in regular or irregular manner; and other duties assigned by the Board.

Corporate Governance Report

During the Reporting Period, the Development Strategy Committee of the Board convened a total of two meetings, the details of which were as follows:

1. The Company convened the first meeting of 2015 by way of teleconference on December 28, 2015 and considered and approved the Resolution on the Work Summary for 2015 and Work Thoughts for 2016.
2. The Company convened the second meeting of 2015 by way of teleconference on December 30, 2015 and considered and approved the Resolution on the Formulation of the 13th Five-Year Development Strategy Plan for HTSC.

Attendance of members of the Development Strategy Committee at meetings held during the Reporting Period:

Name	Attendance in person/Number of meetings requiring attendance
Zhou Yi	2/2
Wang Shuhua	2/2
Shen Kunrong	2/2

(II) Compliance and Risk Management Committee of the Board

The main duties of the Compliance and Risk Management Committee include: considering and approving the general objective and basic policies of compliance management and risk management, and putting forward some suggestions; considering and approving the establishment of the institution for compliance management and risk management, and its duties, and putting forward some suggestions; evaluating the risk for major decisions to be considered and approved at the Board meeting and the solution for such major risk, and putting forward some suggestions; considering and approving the compliance report and risk evaluation report required to be considered and approved by the Board, and putting forward some suggestions; and such other duties stipulated in the Articles of Association.

During the Reporting Period, the Compliance and Risk Management Committee of the Board convened a total of three meetings, the details of which were as follows:

1. The Compliance and Risk Management Committee of the third session of the Board convened the first meeting of 2015 by way of teleconference on March 5, 2015, and considered and approved the Resolution on the Annual Compliance Report 2014 of the Company, the Resolution on the Assessment Report on the Internal Control of the Company for 2014 and the Resolution on the Amendments to the Relevant Provisions of the Compliance Management System of the Company.

Corporate Governance Report

2. The Compliance and Risk Management Committee of the third session of the Board convened the second meeting of 2015 by way of teleconference on May 29, 2015, and considered and approved the Resolution on the Formulation of the Program for Continuous Enhancement of Internal Controls of the Company in 2015.
3. The Compliance and Risk Management Committee of the third session of the Board convened the third meeting of 2015 by way of teleconference on August 20, 2015, and considered and approved the Resolution on the Interim Compliance Report 2015 of the Company.

Attendance of members of the Compliance and Risk Management Committee at meetings held during the Reporting Period:

Name	Attendance in person/Number of meetings requiring attendance
Sun Lu (Chairman of the Committee)	3/3
Cai Biao	3/3
Zhou Yong	3/3
Xu Min	0/0
Ying Wenlu	3/3

Corporate Governance Report

(III) Audit Committee of the Board

The main duties of the Audit Committee of the Board include: monitoring the annual audit and making judgment on the truthfulness, accuracy and integrity of the audited information contained in the financial reports before submitting the reports to the Board of Directors; monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in them. The committee shall pay special attention to the following: changes in accounting policies and practices; matters concerning significant judgment; significant adjustments due to the audit, assumptions of on-going operations of the enterprises and its qualified opinions, as well as the compliance with the accounting standards and listing rules or relevant laws and regulations of the listing place where the financial reporting shall be made. The committee shall propose the engagement or removal of external auditors, supervise the performance of external auditors and ensure coordination between internal and external auditors. In addition, the Audit Committee shall also ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and shall review and monitor its effectiveness; consider and make recommendations on the appointment, reappointment, remuneration and terms of engagement of external auditors or any matters regarding their resignation or dismissal. The Audit Committee shall act as the main representative for overseeing the Company's relationship with external auditors; discuss the nature and scope of the audit and reporting obligations with external auditors before the commencement of audit and review of the effectiveness of the audit procedure and the objectivity and independence of external auditors from time to time; review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or monitoring system and the management's response thereto. The Audit Committee shall ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; review the Company's financial controls, risk management and internal control system and the Group's financial and accounting policies and practices; review the risk management and internal control system with management to ensure that management has performed its duty so as to have an effective internal control system. The Audit Committee shall review major investigation findings on risk management and internal control matters as well as management's response to these findings as delegated by the Board or on its own initiative; report the above matters to the Board; review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; study other programs defined by the Board; and perform other duties stipulated by the Articles of Association and listing rules or laws and regulations of the places where the Company is listed.

Corporate Governance Report

During the Reporting Period, the Audit Committee of the Board of the Company convened seven meetings, the details of which were as follows:

1. The first meeting of the Audit Committee of the third session of the Board for 2015 was convened in the way of teleconference on January 27, 2015, and considered and approved the Resolution on the Auditing Plan of the Company for 2014;
2. The second meeting of the Audit Committee of the third session of the Board for 2015 was convened in the way of video conference on February 17, 2015, at which KPMG Huazhen LLP reported their audit work for 2014 and their personnel discussed and communicated with the Audit Committee, and the draft of audit report for 2014 of the Company was reviewed; at which Wang Quanzhou, the chairman of the committee and an independent director pointed out that the securities industry is an industry with risks, where there exist many innovative businesses but big risks, which needs financial supporting assistance, therefore, he advised the auditors engaged by the Company to communicate with the business innovation department of the Company frequently to provide overseas advanced experience especially with respect to internal control and risk management, and provide precious experience for the standard operations and steady development of the Company.
3. The third meeting of the Audit Committee of the third session of the Board for 2015 was convened in Nanjing on March 5, 2015, at which the Resolution on the Financial Statements of the Company for 2014, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2015, the Resolution on the Evaluation Report of Internal Control of the Company for 2014, the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2014, the Proposal on the Renewal of the Company's Accountant, the Proposal on the Amendments to the Accounting System of the Company and the Work Plan for the Internal Audit of the Company for 2015 were considered and approved, and the Audit Committee received the internal audit report of the Company for 2014. At the meeting, Liu Hongzhong, a member of the committee and an independent director, highly appreciated the Company's performance in internal control, and also put forward, when reviewing the Resolution on the Evaluation Report of Internal Control of the Company for 2014, that the internal risk control shall focus on prevention, and that risk assessment shall be made on all the securities in which the Company held positions; as for the Company's reports, whether financial reports or other reports, the qualitative analysis shall be made based on the quantitative indicators and shall be compared with the previous year, so that the changes in the Company's operating conditions can be viewed directly and clearly.
4. The fourth meeting of the Audit Committee of the third session of the Board for 2015 was convened in the way of teleconference on April 21, 2015, at which the Resolution on the First Quarterly Financial Statements of the Company for 2015 was considered and approved.

Corporate Governance Report

5. The fifth meeting of the Audit Committee of the third session of the Board for 2015 was convened in the way of video conference on July 31, 2015, at which KPMG reported their scope of the 2015 mid-term audit and its working methods, the schedule for interim audit, the main concerns thereon and other matters that shall be communicated to the Audit Committee; at which Lee Chi Ming, chairman of the committee and Liu Hongzhong, a member of the committee and an independent director, and Pu Baoying, a member of the committee, each separately made inquiries to the matters with respect to the valuation ratio and hedging of the suspension securities of which the Company conducted proprietary trading and asset management, the difference between A Shares and H Shares, the standard for judging whether a contract was material or not, and the valuation of non-listed equities, to all of which Jiang Jian, the secretary to the Board, Ling Yunyan, the person in charge of finance department accounting management team together with the securities investment director or partner, Wang Guobei, and the senior audit manager Zhang Nan of the audit body engaged by the Company made explanations respectively.
6. The sixth meeting of the Audit Committee of the third session of the Board for 2015 was convened in Nanjing on August 20, 2015, at which the Resolution on the Financial Statements of the Company for the First Half of 2015 and the Resolution on the Company's Interim Report for 2015 were considered and approved; Liu Hongzhong, an independent director, showed special attention to the margining financing and securities lending business of the Company, and made comprehensive discussion and communication with the chief financial officer of the Company, Shu Ben'e, and Zhang Nan from the audit body. Although they were informed that the Company also paid attention to margin call and liquidation of positions from time to time, set a relative high maintenance margin ratio and generally experienced no loss, and the Company took corresponding risk control measures towards the rare margin calls due to suspension, they still warned the Company to strengthen risk prevention repeatedly.
7. The seventh meeting of the Audit Committee of the third session of the Board for 2015 was convened in the way of video conference on October 29, 2015, at which the Resolution on the Financial Statements of the Company from January to September in 2015 and the Resolution on Changing the Standard of Provision for Bad Debts Arising from Financing Business by the Company were considered and approved; at which Lee Chi Ming, chairman of the committee and an independent director made inquiry to Shu Ben'e, the chief financial officer of the Company regarding matters about the effect of the changes on the standard of provision for bad debts arising from financing Business on the Company and the audit opinion thereon, to which Shu Ben'e made responses and explanations.

During the Reporting Period, the Audit Committee of the Board met the external auditors at least once in the absence of the management to discuss matters relating to auditing expenses, any matter arising from auditing and other matters raised by the auditors. Meanwhile, the Audit Committee of the Board held no less than two meetings with the external auditors during the Reporting Period.

Corporate Governance Report

Attendance of the members of the Audit Committee at the meetings held during the Reporting Period

Name	Attendance in person/Number of meetings requiring attendance
Lee Chi Ming (Chairman of the Committee)	3/3
Pu Baoying	7/7
Liu Hongzhong	6/7
Chen Zhibin	1/1
Wang Quanzhou	4/4

(IV) Nomination Committee of the Board of Directors

The main duties of the Nomination Committee of the Board include: reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes in the Board in line with the Company's strategies; considering and making suggestions on the criteria and procedures for selection of directors and senior management members; searching for qualified candidates for director and senior management, and selecting from the list nominated by directors or making recommendation to the Board; reviewing and making suggestions on the qualification requirements for director and senior management; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors (in particular the chairman and the president); and other responsibilities stipulated in the Articles of Association or as required by the Board.

During the Reporting Period, the Nomination Committee of the Board of the Company convened two meetings, the details of which were as follows:

1. The first meeting of the Nomination Committee of the third session of the Board for 2015 was convened in Nanjing on March 5, 2015, and Sun Hongning, director and member of the committee, authorized and delegated Bai Wei, independent director and chairman of the committee, to attend the meeting on his behalf, at which the Proposal on the Election of Members of the Third Session of the Board of the Company was considered and approved.
2. The second meeting of the Nomination Committee of the third session of the Board for 2015 was convened in the way of teleconference on August 20, 2015, at which the Proposal on the Election of Ms. Xu Min as a Member of the Third Session of the Board of the Company and the Proposal on the Election of Mr. Chen Zhibin as an Independent Director of the Third Session of the Board of the Company were considered and approved.

Corporate Governance Report

Attendance of the members of the Nomination Committee at the meetings held during the Reporting Period

Name	Attendance in person/Number of meetings requiring attendance
Bai Wei (Chairman of the Committee)	2/2
Sun Hongning	1/2
Zhang Jie	2/2
Liu Hongzhong	0/0

(V) Remuneration and Appraisal Committee of the Board

The main duties of the Remuneration and Appraisal Committee include: reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the Company's overall policy and structure for remuneration of the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy; reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; conducting assessment on and making recommendations to the Directors and senior management: making recommendations on the remuneration packages, including benefits in kind, pensions and compensation payments (including any compensation payable for loss or termination of their appointment), for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors; considering salaries paid by comparable companies, time commitment and responsibilities and engagement condition elsewhere in the Group; reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be fair and not be excessive; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be reasonable and appropriate; ensuring that no Director or any of his associates is involved in determining his/her own remuneration; and other responsibilities stipulated in the Articles of Association.

Corporate Governance Report

During the Reporting Period, the Remuneration and Appraisal Committee of the Board of the Company convened two meetings, the details of which were as follows:

1. The first meeting of the Remuneration and Appraisal Committee of the third session of the Board was convened in Nanjing on March 5, 2015, and Sun Hongning, director and member of the committee, authorized and delegated Bai Wei, independent director and chairman of the committee, to attend the meeting on his behalf, at which the Report on the Performance Appraisal and Remuneration of Directors of the Company for 2014, the Report on the Responsibilities Fulfillment, Performance Appraisal and Remuneration for Senior Management of the Company for 2014, and the Proposal on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management of the Company were considered and approved; at which Bai Wei, an independent director and chairman of the committee, made inquires on the accomplishment of the performance goal of the previous year and the actual payment of the amount of remuneration disclosed in the annual report, to which Hu Jianbin, general manager of the human resource department of the Company gave clear responses and explanations. Zhang Jie, an independent director and a member of the committee, advised the Company to set up a scientific and reasonable remuneration system to avoid the loss of core staff and business cadres of the Company based on his own research topic, the political environment, the industry backgrounds at home and abroad and the actual conditions of the Company.
2. The second meeting of the Remuneration and Appraisal Committee of the third session of the Board for 2015 was convened in the way of teleconference on August 20, 2015, at which the Resolution on the 2015 Performance Plans and Goals for Senior Management of the Company, the Resolution on Amendments to Relevant Provisions of the Compensation Management System of the Company and the Resolution on the Establishment of Stock-based Remuneration Plan for the Company were considered and approved.

Attendance of the members of the Remuneration and Appraisal Committee at the meetings held during the Reporting Period

Name	Attendance in person/Number of meetings requiring attendance
Bai Wei (Chairman of the Committee)	2/2
Sun Hongning	1/2
Zhang Jie	2/2
Liu Hongzhong	0/0

Corporate Governance Report

VII. PERFORMANCE OF DUTIES OF SUPERVISORS

The Supervisory Committee is a supervisory body of the Company and shall be accountable to the general meeting. As required by the Company Law and Articles of Association, the Supervisory Committee is responsible for monitoring the Company's financial activities and internal control, and overseeing the legality and compliance of the performance of duties by the Board, the management and its members.

For the year 2015, in strict compliance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, the Supervisory Committee of the Company earnestly performed its duties as required by law and effectively monitored the Company's financial conditions, the legality and compliance of the Board's significant decisions and the performance of duties by the management, and safeguarded the legitimate rights and interests of the Company and its shareholders acting in the spirit of being accountable to all the shareholders.

(I) Performance of duties of supervisors

During the Reporting Period, the Supervisory Committee of the Company convened four meetings, the details of which were set out in "IV. Meetings of the Supervisory Committee during the Reporting Period" of this section.

Corporate Governance Report

All the members of the Supervisory Committee attended the meetings of Supervisory Committee, Board meetings and the general meetings during the Reporting Period as follows:

Name of supervisor	Position	Number of meetings of Supervisory Committee requiring attendance in the year	Attendance			Absence	Whether or not he/she failed to attend the meeting in person for two successive times	Attendance at Board meeting in the year	Attendance at the general meeting
			Attendance in person	Attendance in the way of teleconference	Attendance by proxy				
Yu Yinmin	Chairman of the Supervisory Committee	4	4	1	0	0	No	12	1
Gao Xu	Supervisor	4	4	1	0	0	No	12	2
Du Wenyi	Supervisor	4	2	1	2	0	Yes	10	0
Liu Zhihong	Supervisor	1	1	0	0	0	No	3	1
Mao Huipeng	Supervisor	3	2	1	1	0	No	8	0
Song Weibin	Supervisor	4	4	1	0	0	No	12	2
Dong Junzheng	Supervisor	4	4	1	0	0	No	12	0
Peng Min	Employee representative supervisor	4	4	1	0	0	No	12	2
Zhou Xiang	Employee representative supervisor	4	4	1	0	0	No	12	2
Zhang Hui	Employee representative supervisor	4	4	1	0	0	No	12	2

Number of meetings of Supervisory Committee convened during the year	4
Of which: number of meetings held on-site	3
number of meetings in the way of teleconference	1
Number of meetings held on-site and in the way of teleconference	0

Corporate Governance Report

(II) Independent opinions of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened four meetings in total in the whole year, at which 12 proposals and reports were considered. The supervisors sat in all the Board meetings and general meetings of the Company as nonvoting delegates, monitored the decision-making process of the Board on material matters on a real-time basis, and kept abreast of the management's implementation of the decisions made by the Board through carefully reading the reports of the Company, like Work Newsletter (monthly) and Brief Report on Audit Work (quarterly). On this basis, the Supervisory Committee gave independent opinions on the Company's relevant matters as follows:

1. For the legal operation of the Company: during the Reporting Period, the Company was under legal operation in compliance with the relevant laws and regulations like the Company Law, the Securities Law and the Articles of Association as well as the requirements of the Company's systems. Major operational decisions of the Company were reasonable, and the decision-making procedures were lawful. The Company established a relatively sound internal management system and internal control system, under which various regulations were effectively implemented. The Supervisory Committee found no conducts violating laws, regulations, Articles of Association or damaging the interests of the Company and its shareholders made by directors and senior management of the Company when performing their duties. During the Reporting Period, there were no material risks in the Company.
2. For the financial aspect: during the Reporting Period, supervisors of the Company regularly read the main financial information about operation of the Company in every month, convened meetings of the Supervisory Committee to review the quarterly reports, semi-annual reports, annual financial reports, annual evaluation reports on internal control and other documents of the Company, and checked the business and financial conditions of the Company. The Supervisory Committee believed that the financial report of the Company for 2015 had been audited by KPMG which had issued a standard audit report without qualified opinions. The Company's financial statements were prepared in compliance with the relevant requirements of the IFRSs, which truly reflected the financial conditions and operating results of the Company. Regular reports were prepared and reviewed in compliance with relevant laws, regulations and various requirements of the CSRC, the contents of which were true, accurate and complete to reflect the actual conditions of the Company.
3. For the implementation of the registration, management and confidentiality system for insider information holders of the Company: during the Reporting Period, the Company managed to carry out the registration, management, disclosure and filing of insider information and kept the confidentiality thereof in accordance with the requirements of the system, and continued to optimize the working procedures. There were no incidents found in the Company in violation of insider information holder's obligations for registration, management and confidentiality.
4. During the Reporting Period, the Company's related connected transactions were fair and reasonable, and no incidents of damaging the rights and interests of the Company and its shareholders were found in the Company. When considering related matters, independent directors of the Board of the Company gave independent opinions and related directors abstained from voting, the procedure of which was legal and valid.

Corporate Governance Report

5. During the Reporting Period, net proceeds from the initial public offering of H Shares of the Company amounted to RMB30,587,689,604.94 after deducting related listing expenses, and proceeds raised amounted to RMB30,015,054,696.76 after deducting the underwriting and issue fees. As of the end of the Reporting Period, in addition to the total proceeds from the initial public offering of H Shares, the Company obtained a total interest income of RMB178,848.30. As of the end of the Reporting Period, an accumulated amount of RMB25,930,110,593.95 were used out of the proceeds from the initial public offering of H Shares.

As of the date of this report, the proceeds received by the Company from the initial public offering of new shares for listing on Hong Kong Stock Exchange and from the issuance of new shares due to the partial exercise of the over-allotment option were used as follows: RMB18,352,613,762.96 was used for the expansion of capital-based intermediary businesses including margin financing and securities lending, RMB3,058,768,960.49 was used for the expansion of investment and trading business, RMB2,350,000,000.00 was used to increase the capital of Huatai Zijin Investment and Huatai Asset Management, and RMB2,168,727,870.49 was used as working capital and for other general corporate purposes. In addition to the use of proceeds above, the remaining proceeds of the Company was approximately RMB4,657,579,010.99, which was not utilized yet and deposited into the account opened by the Company in the bank. As of December 31, 2015, the intended use of the proceeds raised from the issuance of H shares of the Company was in line with that disclosed in the prospectus with no change.

6. During the Reporting Period, the Company successfully issued four tranches of short-term financial bills, the total amount of which reached RMB11.0 billion; the Company issued three tranches of subordinated bonds with an amount of RMB36.0 billion, one tranche of corporate bonds with an amount of RMB6.6 billion and 68 tranches of structured notes with an aggregate amount of RMB24.081 billion. As of December 31, 2015, the balance of structured notes amounted to RMB10.653 billion. The amount of proceeds raised was used to replenish the Company's working capital, which was consistent with the disclosure in the prospectus.
7. Written review opinions on the annual report of the Company for 2015 prepared by the Board of Directors were as follows:

The annual report of the Company for 2015 was prepared and reviewed in compliance with the relevant laws, regulations and requirements of regulatory authorities, the contents of which were true, accurate and complete to reflect the actual conditions of the Company.

8. The Supervisory Committee of the Company reviewed the Assessment Report on Internal Control of the Company for 2015, and had no objections towards the contents therein.

Corporate Governance Report

VIII. RISKS FOUND BY THE SUPERVISORY COMMITTEE IN THE COMPANY

During the Reporting Period, the Supervisory Committee of the Company had no objections towards the matters under supervision during the Reporting Period.

IX. EXPLANATIONS ON THE COMPANY'S INABILITY TO ENSURE INDEPENDENCE AND OPERATE INDEPENDENTLY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE

The shareholding structure of the Company is relatively decentralized without controlling shareholders. Since its inception, the Company has been operating in strict compliance with the relevant laws and regulations like the Company Law and the Securities Law as well as the requirements of the Articles of Association. The Company is completely separate from its shareholders in respect of business, staff, assets, organization and finance, owns a complete business system and is capable of operating independently in the market.

1. Information about the independence of business

In accordance with the requirements of the Company Law and the Articles of Association, the Company conducts business on its own pursuant to the law within the operating scope approved by CSRC, and has obtained various business materials required for securities business operation with an independent and complete business system and the ability of self-operation. Its business operation is not controlled or affected by its shareholders or related parties. The Company can compete in the market independently. Shareholders and related parties of the Company had not breached the Company's working procedures or intervened in the Company's internal management or the making of its operational decisions.

2. Information about the independence of the staff

The Company set up a dedicated human resources management department, and established independent and complete systems for labor employment, personnel management, salary management and social security. The directors, supervisors, and senior management of the Company were selected and employed in compliance with the relevant requirements of the Company Law, the Securities Law, and the Measures for the Supervision and Administration of the Professional Qualifications of Directors, Supervisors and Senior Management of Securities Firms and the Articles of Association. The current directors, supervisors and senior management of the Company have obtained the qualifications required for working in securities firms. The senior management of the Company held no positions in its largest shareholder and actual controller and other enterprises under its control. The Company adopts an appointment system for the senior management, a labor contract system for all the staff, and enters into Labor Contract with all the staff in accordance with the law. The Company owns independent rights for labor employment and its staff is independent from the shareholders and enterprises under their control without any interference from the shareholders.

Corporate Governance Report

3. Information about the integrity of the assets

The Company owns main business qualifications, land, real estate, vehicles and other operating equipment required for business operation. The above assets are subject to no mortgage, pledge or other guarantees, and the Company is the legal owner of these assets. The assets of the Company are independent from its largest shareholder and other shareholders. As of the end of the Reporting Period, the Company had provided no guarantees for the debts of any of its shareholders and their subsidiaries by using its assets or reputation as the collateral. The Company had full control and use right over its assets, and there had been no circumstance under which the interests of the Company were damaged due to the largest shareholder's occupation of any of its assets and funds.

4. Information about organizational independence

In strict compliance with the requirements of the Company Law and the Articles of Association, the Company has set up a sound corporate governance structure, under which the general meeting, the Board of Directors, the Supervisory Committee, the management and the relevant operating management departments are formed. The general meeting, the Board of Directors, the Supervisory Committee and the management are in good operation and exercise their respective functions and powers pursuant to the law. The Company owns an independent and complete system for securities business operation and management, and conducts its business on its own. The organizations are set up and run in compliance with the relevant requirements of CSRC. The existing offices and premises of the Company are totally separate from its shareholders without the circumstances of sharing organizations with them or their direct intervention in the Company's business activities.

5. Information about financial independence

As required by the Accounting Standards for Business Enterprises and the Financial Systems of Securities Firms, the Company has established an independent financial accounting and management system, set up an independent accounting department, and employed independent financial accountants. The chief financial officer and financial personnel of the Company held no positions in its shareholders. The Company has opened an independent bank account, applied for an independent tax registration and paid taxes in accordance with laws and regulations. The Company shared no accounts and taxes with its shareholders and related parties.

As of the end of the Reporting Period, the Company provided no guarantees for its shareholders and other related parties. During the Reporting Period, the Company experienced no peer competition and connected transactions resulted from shareholding reform, features of the industry and national policies or mergers and acquisition.

Corporate Governance Report

X. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

During the Reporting Period, the Company conducted appraisal of its senior management under the principle of goal-sharing, consistency between management and appraisal, and performance linkage. The overall appraisal would be conducted on a yearly basis. At the beginning of the year, the Board of Directors would set the performance appraisal indicators for senior management based on the performance appraisal indicators and goals of the Company and the functional areas managed by senior management; in the mid-year, the comprehensive review would be conducted and the specific improvement measures would be formulated based on the accomplishment of the goals set at the beginning of the year; at the end of the year, the Remuneration and Appraisal Committee would be responsible for the performance appraisal of senior management of the Company. Based on the benefits and the development of the Company, it would comprehensively appraise the fulfillment of the annual operating goals of the Company and the responsibilities of its senior management. Meanwhile, based on the results of post performance appraisal and the policy for remuneration distribution, it would put forward the amount of remuneration and the reward rule for senior management which would be reported to the Board of Directors for consideration upon approval by voting.

XI. RESPONSIBILITY STATEMENT OF INTERNAL CONTROL AND THE ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

(I) Statement of the Board

As required by the internal control standard system of the Company, the Board of Directors of the Company bears the responsibility to establish a sound internal control system and put it in place while assessing its effectiveness, and honestly disclose its evaluation report on internal control. The Supervisory Committee shall monitor the establishment and implementation of internal control conducted by the Board of Directors. The management shall be responsible for leading the daily operation of internal control of the Company. The Board of Directors, Supervisory Committee, directors, supervisors and senior management of the Company shall ensure that there are no false descriptions, misleading statements or major omissions contained in this report, and shall individually and collectively assume legal responsibilities for the truthfulness, accuracy and completeness of any information contained in this report. The 29th meeting of the third session of the Board has considered and approved the Resolution on the Internal Control Assessment Report of the Company for 2015.

Corporate Governance Report

The objective of internal control of the Company is to reasonably ensure the legality and compliance of the operation and management, the security of the assets, and the truthfulness and completeness of the financial report and its relevant information, to improve operating efficiency and effectiveness, and to promote the accomplishment of the development strategy. Due to the inherent limitations of internal control, only reasonable assurance can be provided for the achievement of the above objectives. In addition, internal control may become inappropriate or the level of compliance with control policies and procedures may become lower due to the changes of situation, so it may involve certain risks to speculate the effectiveness of internal control in the future based on the results of internal control evaluation. The Company shall supervise and conduct self-checking on its internal control, and once any defect is identified in its internal control, it will take rectification measures immediately.

(II) Structure of the internal control system

The Company has established a scientific and efficient internal control structure system, under which each of the Board of Directors, Supervisory Committee, the management, the function management departments and business operations departments has its own responsibilities and performs its own functions.

The Board of Directors of the Company shall be responsible for the effectiveness of internal control of the Company, and it has set up special committees under it, including the Compliance and Risk Management Committee and the Audit Committee, to comprehensively monitor the effective implementation of internal control and self-evaluation of internal control. The management departments for internal control mainly consist of the risk management department, legal and compliance department, planning and finance department and audit department. Each department shall implement internal control and fully support the improvement of internal control system and the self-evaluation related work. The audit department shall be responsible for conducting internal control evaluation independently. Meanwhile, the Company has established a leading group for the construction and on-going optimization of the internal control system to continuously improve the construction of the internal control system.

The Company has set up a legal and compliance department, a risk management department and an audit department as the dedicated departments for internal control audit and supervision, which independently perform the functions of supervision and audit like compliance audit, risk control, financial audit and business audit while being responsible for making improvement suggestions as to the defects of internal control and urging relevant responsible departments to rectify such defects in a timely manner.

(III) Basis for the establishment of internal control over financial reporting

Based on documents like the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and the Implementation Guidelines for Enterprise Internal Control (《企業內部控制配套指引》) jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the CBRC and the CIRC, the Guidelines for Internal Control of Securities Firms (《證券公司內部控制指引》) issued by the CSRC, and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies (《上海證券交易所上市公司內部控制指引》) issued by the Shanghai Stock Exchange, the Company has established a sound internal control system for financial reporting.

Corporate Governance Report

According to the judging standards for major defects, important defects and general defects from the Basic Internal Control Norms for Enterprises, the Guidelines for Internal Control of Securities Firms and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, and in consideration of factors including the scale of the Company, industry features and risk levels, the Company determined the internal control defects applicable to the Company and the specific judging standards thereof after researching, which were consistent with those for the previous year.

Major defects refer to the combination of one or more control defects which may cause the enterprise to significantly deviate from the control objectives. Important defects refer to the combination of one or more defects, the severity level and economic consequences of which are lower than those of the major defects, but it may still cause the enterprise to deviate from the control objectives. General defects refer to the defects other than major defects and important defects.

Based on the above judging standards and in combination with daily supervision and special supervision, during the Reporting Period, the internal control system and mechanism of the Company were sound and effectively implemented in the actual work. There were no major defects of internal control over financial reporting found in the Company.

(IV) Construction of internal control system

In strict compliance with the requirements of the relevant laws and regulations like the Company Law, the Accounting Law, the Accounting Standards for Business Enterprises, the Basic Norms for Accounting, the Financial Rules for Financial Enterprises (《金融企業財務規則》), the Basic Internal Control Norms for Enterprises, the Guidelines for Internal Control of Securities Firms and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, and in consideration of the industry features and the actual conditions of the Company, the Company established various financial and accounting management systems like the Account System, the Basic System for Accounting Work (《會計工作基本制度》), the Measures for Financial Accounting (《會計核算辦法》), the Financial Budget Management System (《財務預算管理制度》) and the Owned Funds Management System (《自有資金管理制度》), and other internal control systems. Through the establishment of a scientific financial and accounting organization structure, the employment of the qualified financial accounting professionals, the use of a standard and rigorous financial and accounting management system, and the adoption of appropriate accounting policies and reasonable accounting estimates, the Company ensures that the financial reports prepared by it are in compliance with the requirements of the accounting standards, and are true, accurate and complete to reflect the financial conditions, results of operation and cash flows of the Company and other relevant information. The Supervisory Committee, the internal audit department of the Company and the external auditors effectively inspect and supervise the financials of the Company and give professional opinions on the financial reporting of the Company based on the Articles of Association and relevant requirements.

Corporate Governance Report

(V) Operation of internal control system

In 2015, the Company further improved the evaluation system for risk and control, continued to establish and maintain the internal control operation system with risk management as the direction and risk identification, assessment and control as the core. The Company strengthened its self-evaluation mechanism through the system and incorporated risk control matrix and internal control manual into the system. Based on the development and the changes of its business, it intensified the identification, classification and assessment of the risk points and control measures, recorded the relevant process and the testing paper and results through the system, and continuously improved and optimized internal control in terms of design and implementation. The audit department of the Company independently issued an evaluation report of internal control on the standardization of the Company's internal control. Combing with the suggestions from the external advisory body, the Company took rectification measures for the defects of internal control in a timely manner. Meanwhile, the Company continued to optimize the collective internal control management system that covers all the subsidiaries included in the scope of financial reporting. Moreover, the Company established the measures for internal control management of the subsidiaries, improved the risk reporting mechanism for the relevant subsidiaries to report to the parent company, continued to cover subsidiaries which are included in its financial reports, and improved the internal control self-evaluation system and judging standards for internal control defects.

(VI) Conclusion of internal control evaluation

In order to strengthen and standardize the internal control of the Company, improve the operation and management level and risk prevention capabilities of the Company and promote the sustainable development of the Company, the management of the Company attached great importance to the advice and suggestions from the Board of Directors and the functional departments for internal control, and effectively improved the standardization level of business and internal control management level of the Company.

Based on the requirements of the relevant laws and regulations like the Basic Internal Control Norms for Enterprises, the Guidelines for Assessment of Enterprise Internal Control, the Guidelines for Internal Control of Securities Firms and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, the Company conducted self-evaluation on the effectiveness of design and operation of the internal control as of December 31, 2015 and issued the 2015 Evaluation Report of Internal Control. Based on the judging of the major defects of internal control over financial reporting of the Company, and as at the base date of evaluation report of internal control, there were no major defects of internal control over financial reporting. In the opinion of the Board of Directors, the Company has kept an effective internal control over financial reporting in all material respects according to the requirements of the normative system of enterprise internal control and the relevant regulations.

Based on the judging of the major defects of internal control over non-financial reporting of the Company, and as at the base date of evaluation report of internal control, there were no major defects of internal control over non-financial reporting.

There were no factors affecting the conclusion on the effectiveness evaluation of internal control from the base date of evaluation report of internal control to the issue date of evaluation report of internal control.

Corporate Governance Report

(VII) The Board's working plan for internal control in 2016

In order to keep the adaptability and continuous effectiveness of internal control, the Company continuously adjusted and improved its internal control based on the relevant requirements like the Basic Internal Control Norms for Enterprises and its supporting guidelines and the Notice on the Fully Implementation of the Establishment of Internal Control System of Provinces-based Enterprises (Su Guo Zi [2013] No. 73) (《關於全面開展省屬企業內部控制體系建設工作的通知》(蘇國資[2013]73號)) issued by the State-owned Assets Supervision & Administration Commission of Jiangsu Province and Jiangsu Provincial Department of Finance and in consideration of its own development needs. During the Reporting Period, the Company established an on-going optimization plan for internal control in 2016, and will continuously implement the optimization of the internal control within the Group.

XII. DISCLOSURE OF SELF-EVALUATION REPORT OF INTERNAL CONTROL

When disclosing the annual report for 2015, the Company will also disclose the Evaluation Report of Internal Control of Huatai Securities Co., Ltd. for 2015 at the same time, which will be published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on March 30, 2016.

During the Reporting Period, there were no major defects in the internal control of the Company.

XIII. INFORMATION ABOUT THE AUDIT REPORT OF INTERNAL CONTROL

The KPMG Huazhen LLP engaged by the Company has conducted an audit on the internal control of the Company and issued an audit report of internal control without qualified opinions. When disclosing the annual report for 2015, the Company will also disclose the Audit Report of Internal Control of Huatai Securities Co., Ltd. at the same time, which will be published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on March 30, 2016.

Whether to disclose the audit report of internal control: yes

Corporate Governance Report

XIV. BUILDING OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY AND THE INSPECTIONS AND AUDITS FINISHED BY THE COMPLIANCE AND AUDIT DEPARTMENTS DURING THE REPORTING PERIOD

The Company always places emphasis on the enterprise culture of operation in compliance with regulations, strict management, prudent and standard operation. During the Reporting Period, in accordance with the relevant laws and regulations and the regulatory requirements, the Company further established a sound compliance management system, improved the organizational structure for compliance management, and continued to strengthen the compliance management of the Company to keep continuous and standardized development of the business lines of the Company.

1. Organizational structure for compliance management

Since its inception, the Company has been adjusting and improving the organizational structure for compliance management and the relevant systems based on the changes of the market environment and the regulatory requirements and the development needs of business. The Company has established a multi-level organizational structure system for compliance management, comprising of the Board of Directors and its Compliance and Risk Management Committee, the Chief Compliance Officer, the legal and compliance department, the compliance officers of various departments and branches were formed.

The Board of Directors is the supreme decision-making body for the compliance management of the Company and responsible for the approval, assessment and implementation supervision of the basic policies for compliance management and assumes responsibilities for the effectiveness of the compliance management of the Company. The Compliance and Risk Management Committee under the Board is responsible for overseeing the overall risk management of the Company, and controlling the risks within a reasonable range to ensure the internal management system, business rules, significant decisions and main activities of the Company are in compliance with laws and regulations, and the risks can be controlled and accepted.

The chief compliance officer is in charge of compliance of the Company, conducts audit, inspection and supervision on the compliance of the management and performance of the Company and its staff, and helps the management to effectively indentify and manage compliance risks. The chief compliance officer is a member of the senior management, and is appointed by the Board. The chief compliance officer does not hold any concurrent posts or take charge of any departments which conflict with compliance management duties.

Corporate Governance Report

The Company has established a legal and compliance department to assist the chief compliance office in performing specific compliance management duties. The legal and compliance department is mainly responsible for the following matters: the establishment of the compliance and management system of the Company; compliance training, inspection and guidance; assessment and unified disposal of compliance risks; compliance examination and compliance reports; cooperation with external compliance supervision and management institutions; anti-money laundering and Chinese Wall; establishment of legal system of the Company; review of legal documents; handling legal affairs; and assessment of and consultation on legal risks.

All departments and branches of the Company have their own compliance officers. A compliance officer is mainly responsible for the compliance management work of the department or branch it belongs to, performs such duties as carrying out timely and effective monitoring, inspection, assessment and reporting on the implementation of compliance policies and procedures by such department or branch and its staff, and is responsible for the department or branch's communication and exchange of information with the legal and compliance department and other compliance management work in its own department or branch. During the Reporting Period, the Company centralized the compliance risk control of 25 branches, and all compliance risk control personnel previously belonging to different securities branches were assembled and managed by branches, in order to achieve professional, intensive and disciplined management of compliance risk management team in our branches step by step, and set up effective defensive lines to prevent, mitigate and handle internal risks, enhance the compliance risk management ability of front line positions.

2. Compliance system building of the Company

The Company has established a complete compliance management system and kept improving it. During the Reporting Period, the Company further refined and improved all compliance management systems in compliance with the requirements of the Securities Law, the Regulations on Supervision and Management of Securities Companies, the Trial Provisions for the Compliance Management of Securities Companies (《證券公司合規管理試行規定》) and other laws and regulations and normative documents and in combination with the Company's operation, management and operating practices.

During the Reporting Period, the Company established the General Legal Counsel System (《總法律顧問制度》) and established a long-term mechanism for the building of corporate legal system based on the General Legal Counsel System, and included the General Legal Counsel System into the corporate governance structure, in order to further improve the Company's legal risk prevention mechanism; amended and published the Compliance Management System (2015 revised version) (《合規管理制度(2015年修訂)》), which has been revised according to the updates of the Compliance management organizational structure of the Company, strengthening the management of practices of its practitioners and clarifying the bottom line for practitioners in compliance management; published the Administrative Measures for Lawsuits (《訴訟案件管理辦法》) and clarified the segregation of duties, management principles, procedures of disposal and filing requirements for major cases; improved the Administrative Measures for Compliance Risk Control Staff of the Branches (Revised) (《分公司合規風控人員管理辦法(修訂)》) and highlighted the role of front-line compliance staff in the management and control of compliance risks; and formulated the Implementation Measures for Self-assessment of Money Laundering

Corporate Governance Report

Risks (《洗錢風險自評估實施辦法》) and established the working mechanism and procedures for assessment of money laundering risks.

As of the end of the Reporting Period, the Company has established the following basic compliance management systems: the Compliance Management System (Revised), the Working Measures for Daily Compliance Management (Revised), the Trail Measures for Assessment of the Performance of Compliance Management, the Implementing Rules for Assessment of the Performance of Compliance Management (Revised), the Measures for Assessment of the Effectiveness of Compliance Management, the Staff Compliance Manual, the Administrative Measures for the Preparation of Regular Compliance Report, the Regulations on the Management of Securities Investment by Working Staff of the Company, the Regulations on the Management of Chinese Wall (Revised), the System for Internal Control of Anti-money Laundering (Revised), the Anti-money Laundering Confidentiality System, the Working Rules for Integrity Management, the Administrative Measures for Self-discipline and Collaboration, the Measure for Routine Work of Compliance Liaison (Revised) and the Regulations on the Management of Compliance Risk Control Staff in the Branches (Revised).

3. Implementation of the compliance management mechanism

Since the full implementation of the compliance management system, the Company saw continuous improvement of its compliance management work, and continued to benefit from observance with the philosophy of “Creating Value through Compliance Management” and saw significant improvement in the standardization of operations. During the Reporting Period, the compliance department provided all departments and branches with comprehensive compliance consultation service, and put forward recommendations on common issues in time and monitored and gave guidance over the rectification and improvement of the relevant system and procedures by relevant departments; carried out compliance review within the whole Group and focused on the implementation of the requirements of compliance management, and strengthened cross-examination in order to improve the accuracy and effectiveness of compliance review; reinforced routine compliance examination, and conducted regular and irregular specialized compliance examination in line with business innovations and regulatory requirements, in order to screen potential risks effectively and indentify compliance issues in time; submitted quarterly, interim and annual compliance reports to regulatory institutions in time and submitted temporary reports as needed; implemented compliance performance assessment to relevant departments and branches in accordance with the performance assessment criteria and deducted the responsible persons’ bonus proportionally, which significantly improved the authority and effectiveness of compliance risk control and provided a major assurance for the effective implementation of the compliance management system; further increased the frequencies and efforts of compliance training, and further broadened the coverage of compliance training through video training and online training so as to raise the awareness of regulatory requirements and compliance of its staff; completed the launch of compliance management system and established a multi-system, multi-platform and interconnected panoramic compliance risk management platform; formulated the Implementing Rules for Self-assessment of Money Laundering Risks, and carried out assessment of money laundering risks on two aspects including potential money laundering risks and controlling measures for anti-money laundering risks, defined the responsibilities of relevant departments and branches in risk assessment, and established working rules and operating procedures for assessment of money laundering risks.

Corporate Governance Report

4. Information about inspections carried out by the compliance department during the Reporting Period

During the Reporting Period, the Company's compliance department took a lead in the completion of comprehensive self-examination, specialized examination on bonds investment advisory business of the fixed income department, self-assessment of compliance of return swap business with "two aspects to be strengthened and two aspects to be restrained". The Company conducted a total of 10 regular inspections over branches, 4 inspections over specialized businesses, 30 inspections over stock option business, and organized 4 specialized self-examinations over futures IB business, management of futures practitioners, product account management and illegal fund-raising and put forward recommendations for improvement in time and tracked the implementation of rectification measures. In addition, during the Reporting Period, the compliance department also carried out specialized inspection over research business in order to promote the improvement of research business, and carried out specialized inspection over securities investment by staff, which raised the professional ethics and awareness of all staff on compliance.

XV. OTHER INFORMATION

(I) Company secretary

Pursuant to Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, the Company must appoint as its company secretary an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the duties of a company secretary.

Currently, Mr. Jiang Jian and Ms. Kwong Yin Ping Yvonne serve as the joint company secretaries of the Company. Mr. Jiang Jian has abundant experience in board and company management matters, but does not possess any of the qualifications under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, and may not be able to fully fulfill the requirements of the Hong Kong Listing Rules. Accordingly, the Company has appointed Ms. Kwong Yin Ping Yvonne, who is a member of the Hong Kong Institute of Chartered Secretaries and fully complies with the requirements stipulated under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, to act as the other joint company secretary, for an initial term of three years from the listing date to enable Mr. Jiang Jian to acquire the relevant experience under Note (2) to Rule 3.28 of the Hong Kong Listing Rules, so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. During the Reporting Period, the joint company secretaries of the Company discharged their duties in earnest, and ensured the smooth convening of various meetings of the Board; and promoted the effective communication among members of the Board, and between the directors, shareholders and management of the Company.

During the Reporting Period, pursuant to Rule 3.29 of the Hong Kong Listing Rules, both Mr. Jiang Jian and Ms. Kwong Yin Ping Yvonne had taken no less than 15 hours of professional training to update their skills and knowledge. Ms. Kwong Yin Ping's primary contact person at the Company is Mr. Jiang Jian.

Corporate Governance Report

(II) Responsibilities of the directors and auditors in respect of the accounts

The following responsibility statement of directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this report. Each responsibility statement shall be understood separately.

The Board of Directors confirmed that it took responsibility for the preparation of the annual report for the year ended December 31, 2015.

The Board of Directors is responsible for presenting a clear and well-defined assessment on the interim and annual reports, stock price sensitive information, and other matters that need to be disclosed according to the Hong Kong Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information to the Board of Directors so that the Board of Directors could make informed assessment on the financial data and position of the Group for examination and approval.

To the knowledge of all directors, the Company does not face any events or situations of significant uncertainty likely to give rise to the significant doubt of the Company's capability of sustained operations. In addition, the Company has arranged appropriate insurance cover for the legal actions and liabilities which the directors, supervisors and senior management may be exposed to.

(III) Performance assessment results for directors and supervisors

During the Reporting Period, the directors and supervisors of the Company had abided by the relevant provisions of laws, administrative laws and regulations as well as Articles of Association, and performed their duties and obligations honestly and diligently.

All the Directors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended Board meetings and various meetings of special committees in accordance with relevant provisions, considered each proposal seriously, offered advice and suggestions on significant strategic decisions and plans, important investment and financing projects, business innovations, connected transactions, compliance management and internal controls, system construction, appointments of senior management, performance assessments, enterprise cultural construction and social responsibilities of the Company, and acted as professional gatekeepers on such issues, which ensured the scientificity and formalization of those material decisions as well as the sustainable and innovative development of the Company, and preserved the interests of the shareholders practically.

All the supervisors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended the meetings of the Supervisory Committee in accordance with relevant provisions, attended the on-site Board meetings and shareholders' general meetings, and supervised and inspected the legality of operation, material decisions and important business activities as well as the financial position of the Company.

Corporate Governance Report

For the details on the performance of duties of the Company's directors and supervisors, please see "V. Performance of Duties of Directors" and "VII. Performance of Duties of Supervisors" of this section in the report.

(IV) Communication with shareholders

The shareholders' general meeting is the organ of the highest authority of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strictly compliance with the relevant provisions of Articles of Association and the Rules of Procedures for General Meetings to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely.

The Company pays high attention to the shareholders' opinions and advice, actively and regularly carries out various investor relations activities to keep communication with shareholders and meet their reasonable needs timely. The Company has formulated a series of relatively thorough rules and regulations such as Administrative System Regarding Investor Relationship, to manage investor relationship in accordance with the standards, systems and procedures. Meanwhile, the Company has formed a good interaction and communication with the investors via actively using various channels such as existing investor service hot lines, the special column for investor relations in the Company's website and reception of on-site researchers.

The Board of the Company is willing to hear the shareholders' advice and encourages shareholders to attend the general meetings to ask the Board or management directly about any doubts they may hold. Shareholders may convene extraordinary general meetings or submit interim proposals to general meetings according to the procedures set out in Article 76 and Article 81 of Articles of Association, which was published on the website of the Shanghai Stock Exchange, the website of the Hong Kong Stock Exchange and the website of the Company. The Company will arrange for the Board to answer the shareholders' questions in its annual general meeting for 2015.

(V) The implementation of investor relations activities

The investor relations management is one of the Company's most important tasks on the normative development and legal operation of the Company and is highly valued by the Board of the Company. The Company plans, arranges or organizes various investor relations activities with a strong sense of responsibility, including coordinating the reception of visitors, keeping in contact with regulatory authorities, investors, intermediary agencies and news media and so on.

During the Reporting Period, the Company maintained the "Investor Relations" column on the Company's website, and answered the questions from 18 investors on the interactive E-platform on the website of the Shanghai Stock Exchange. The Company had received investigations and surveys or telephone interviews from 79 researchers and investors who came from various institutions such as securities companies and funds companies at home and abroad during the year. The Company had also carried out daily consultation work seriously for investors and answered their questions in details. Meanwhile, in order to assist the issuance of the periodic reports, the Company had held two results presentations and analyst meetings and one global roadshow for its

Corporate Governance Report

results, which promoted the understanding of the investors on the business condition of the Company, marketed the development advantages of the Company, and guided market expectations effectively. The Company persists in inducing and analyzing various questions proposed by institutional investors and researchers to improve the professionalism, normalization and the quality of investor relations management of the Company.

The Company's reception of investigations and surveys, communications, and interviews in 2015:

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
1	June 11, 2015	The Company	Field research	Fubon Securities (one person/time)	Business development, innovative business and long-term development strategy of the Company
2	June 16, 2015	The Company	Field research	Citigroup Global Markets Asia Limited (one person/time)	Business development, innovative business and long-term development strategy of the Company
3	June 17, 2015	The Company	Telephone interview	Jefferies (two persons/times)	Business development, innovative business and long-term development strategy of the Company
4	June 19, 2015	The Company	Field research	CICC, China Asset Management, BoCom-Schroders fund, UBS SDIC Fund, ICBC Credit Suisse Fund, SAIF Partners, Orient Fund, Bank of China Investment Management, China Life Franklin Asset Management Co., Ltd (ten persons/times)	Business development, innovative business and long-term development strategy of the Company
5	June 26, 2015	The Company	Telephone interview	CMS(HK) (two persons/times)	Business development, innovative business and long-term development strategy of the Company
6	June 29, 2015	The Company	Telephone interview	Och-ziff Consulting (Beijing) Company Ltd. (奧氏諮詢(北京)有限公司) (one person/time)	Business development, innovative business and long-term development strategy of the Company
7	July 17, 2015	The Company	Field research	HSBC, Guotai Junan Securities (three persons/times)	Business development, innovative business and long-term development strategy of the Company

Corporate Governance Report

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
8	August 10, 2015	The Company	Telephone interview	GF Securities (one person/time)	Business development, innovative business and long-term development strategy of the Company
9	September 16, 2015	The Company	Field research	Och-ziff Consulting (Beijing) Company Ltd., Harvest Global Investments, Deutsche Bank, Tengyue Fund, China Asset Management, Cathay Financial Holding from Taiwan (eight persons/times)	Business development, innovative business and long-term development strategy of the Company
10	September 17, 2015	The Company	Field research	Mingji International Investment Co., Ltd (one person/time)	Business development, innovative business and long-term development strategy of the Company
11	October 14, 2015	The Company	Telephone interview	CPPIB, Deutsche Bank (three persons/times)	Business development, innovative business and long-term development strategy of the Company
12	October 15, 2015	The Company	Field research	Fortune Securities, ICBC Credit Suisse Fund, Sealand Securities, BOCI Securities, Shenwan Hongyuan Securities, Changsheng Fund Management, Temasek Fullerton Fund Management, Chang Xin Asset Management, Sunshine Asset Management, Pingan Asset Management (ten persons/times)	Business development, innovative business and long-term development strategy of the Company
13	November 5, 2015	The Company	Field research	Wellington Investment Management Limited and its customers (nine persons/times)	Business development, innovative business and long-term development strategy of the Company
14	November 9, 2015	The Company	Field research	Credit Suisse (Hong Kong) Limited (one person/time)	Business development, innovative business and long-term development strategy of the Company
15	November 11, 2015	The Company	Field research	Thornburg (one person/time)	Business development, innovative business and long-term development strategy of the Company

Corporate Governance Report

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
16	November 12, 2015	The Company	Field research	J.P. Morgan Securities (Asia Pacific) Limited and its customers (three persons/times)	Business development, innovative business and long-term development strategy of the Company
17	November 12, 2015	The Company	Telephone interview	HSBC (two persons/times)	Business development, innovative business and long-term development strategy of the Company
18	November 16, 2015	The Company	Telephone interview	Teng Yue Partners (one person/time)	Business development, innovative business and long-term development strategy of the Company
19	November 17, 2015	The Company	Field research	Soochow Securities, Dongxing Securities (two persons/times)	Business development, innovative business and long-term development strategy of the Company
20	November 20, 2015	The Company	Telephone interview	Guojin Ziying, Galaxy Investment (eight person/times)	Business development, innovative business and long-term development strategy of the Company
21	December 7, 2015	The Company	Telephone interview	CMS (HK) (two persons/times)	Business development, innovative business and long-term development strategy of the Company
22	December 11, 2015	The Company	Field research	BOCI Securities Limited (four persons/times)	Business development, innovative business and long-term development strategy of the Company
23	December 22, 2015	The Company	Telephone interview	Morgan Stanley (one person/time)	Business development, innovative business and long-term development strategy of the Company
24	December 24, 2015	The Company	Field research	Nomura International (HK) Co., Ltd. (one person/time)	Business development, innovative business and long-term development strategy of the Company

Corporate Governance Report

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
25	December 28, 2015	The Company	Telephone interview	UBS Securities (one person/time)	Business development, innovative business and long-term development strategy of the Company
26	From January 1, 2015 to December 31, 2015	The Company	Telephone communication	Institutional investors and individual investors	Operation of the Company and industry situation

(VI) Independence of the auditor

According to the relevant provisions in Rule 19A.31 of the Hong Kong Listing Rules, annual accounts should be audited by a prestigious certified public accountant (whether it is an individual, a firm or a company), who (whether it is an individual, a firm or a company) also should be independent of the Chinese issuer to the extent that its independent procedures should be substantially the same as those specified in the statements on independence issued in the Companies Ordinance or by the International Federation of Accountants. According to the relevant provisions in Rule C.3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules, the audit committee should review and monitor the independence and objectiveness of external auditor as well as the validity of the auditing process in accordance with applicable standards. During the Reporting Period, the Company continued to engage KPMG to audit our annual accounts. The audit committee had carried out necessary review and supervision to ensure the independence between the firm and the Company.

(VII) Accountants' remuneration

During the Reporting Period, as approved at the Annual General Meeting of the Company for 2014, the Company reappointed KPMG Huazhen LLP as the auditor of the Company and its subsidiaries controlled by it to audit the accounting statements and internal control for 2015. KPMG Huazhen LLP was responsible for providing relevant domestic auditing service in accordance with China Accounting Standards for Business Enterprises with a term of appointment of one year and the audit fee shall not exceed RMB2.00 million. Upon consideration at the 29th meeting of the third session of the Board of the Company held on March 29, 2016, the Company proposed to increase the audit fee on the A shares to RMB2.55 million. Meanwhile, the audit fee on the review and auditing for the H shares will increase by RMB2.00 million. Such changes are subject to the approval at the 2015 Annual General Meeting of the Company.

Corporate Bonds

I. BASIC INFORMATION ON CORPORATE BONDS

Unit: RMB in billions Currency: RMB

Name	Abbreviation	Code	Issue date	Expiration date	Balance	Interest rate	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities (Five-year bonds)	13 Huatai 01	122261	2013.6.5	2018.6.5	4.000	4.68%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2013 Corporate Bonds of Huatai Securities (Ten-year bonds)	13 Huatai 02	122262	2013.6.5	2023.6.5	6.000	5.10%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2015 Corporate Bonds of Huatai Securities (First tranche)	15 Huatai G1	122388	2015.6.29	2018.6.29	6.600	4.20%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange

Other information about corporate bonds

1. Basic information about 2013 corporate bonds

On March 11, 2013, the Proposal on the Public Issuance of Corporate Bonds by the Company was considered and approved at the 17th meeting of the second session of the Board of the Company. On March 27, the above resolution was considered and approved at the first extraordinary general meeting of the Company in 2013. On May 31, CSRC approved the Company to issue corporate bonds with a total par value of no more than RMB10.0 billion to the public via the Reply on Approving Huatai Securities Co., Ltd. to Issue Corporate Bonds to the Public (Zheng Jian Xu Ke [2013] No. 707) (《關於核准华泰證券股份有限公司公開發行公司債券的批覆》(證監許可[2013]707號)). On June 7, the Company completed the issuance of this tranche of corporate bonds with a total value of RMB10.0 billion.

The 2013 corporate bonds contained no special clauses such as the clause providing the issuer or investors with options and the clause on convertibility. During the Reporting Period, the Company paid the interest for “13 Huatai 01” and “13 Huatai 02” bonds issued on June 5, 2013 with a total amount of RMB493,200,000.00 (tax included).

Corporate Bonds

2. Basic information about 2015 corporate bonds

On March 6, 2015, the Proposal on the Public Issuance of Corporate Bonds by the Company was considered and approved at the 16th meeting of the third session of the Board of the Company. On March 30, the above resolution was considered and approved at the annual general meeting of the Company for 2014. On June 19, CSRC approved the Company to issue corporate bonds with a total par value of no more than RMB6.6 billion to qualified investors via the Reply on Approving Huatai Securities Co., Ltd. to Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2015] No. 1326) (《關於核准华泰證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2015]1326號)). On July 1, the Company completed the issuance of this tranche of corporate bonds with a total value of RMB6.6 billion.

The 2015 corporate bonds were publicly issued to qualified investors who meet the requirements of Article 14 of the Administrative Measures for the Issue and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) on the qualifications of qualified investors before subscribing this tranche of bonds, and shall only be traded and exchanged among qualified investors upon the completion of the issuance of this tranche of bonds. The 2015 corporate bonds contained no special clauses such as the clause providing the issuer or investors with options and the clause on convertibility. During the Reporting Period, the Company did not pay any interest for or redeem any of the 2015 corporate bonds.

II. ENTRUSTED MANAGERS OF CORPORATE BONDS AND THEIR CONTACTS AND CONTACTS OF THE CREDIT RATING AGENCY

Entrusted manager of 2013 corporate bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301-4316, 43rd Floor, Metropolitan Plaza, 183-187 Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province
	Contact persons	Zuo Yaxiu, Chen Guang, Li Qingwei
	Tel. no.	020-87555888
Entrusted manager of 2015 corporate bonds	Name	Industrial Securities Co., Ltd.
	Office address	Room 1103, Block B, Xincheng Mansion, 5 Finance Avenue, Xicheng District, Beijing City
	Contact persons	Meng Xiang
	Tel. no.	010-66553783
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai City

Corporate Bonds

III. USAGE OF PROCEEDS FROM CORPORATE BONDS

All the proceeds from 2013 corporate bonds have been used to supplement the Company's working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and securities-backed lending business. The usage of the proceeds is in line with the purposes, using plan and other covenants undertaken in the prospectus.

All the proceeds from 2015 corporate bonds have been used to supplement the Company's working capital and for the main purposes of expanding the scale of its margin financing and securities lending, stock repurchase and securities-backed lending business and other innovative businesses that meet the regulatory requirements and other purposes in relation to the primary businesses of the Company. The usage of the proceeds is in line with the purposes, using plan and other covenants undertaken in the prospectus.

IV. INFORMATION ON THE CREDIT RATING AGENCY FOR THE CORPORATE BONDS

(I) Information on the credit rating agency for 2013 corporate bonds

In compliance with relevant requirements including the Pilot Measures on the Issuance of Corporate Bonds (《公司債券發行試點辦法》) of CSRC and the Listing Rules for Corporate Bonds (《公司債券上市規則》) of Shanghai Stock Exchange, the Company entrusted Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to update the credit ratings of the tranche of "13 Huatai 01" and "13 Huatai 02" bonds. On May 5, 2014, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Updated Credit Rating Report on the 2013 Corporate Bonds of Huatai Securities Co., Ltd., which reaffirmed an AAA credit rating for the Company's "13 Huatai 01" and "13 Huatai 02" bonds, an AAA entity credit rating for the Company and a stable rating outlook. On April 1, 2015, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Updated Credit Rating Report on the 2013 Corporate Bonds of Huatai Securities Co., Ltd., which reaffirmed an AAA credit rating for the Company's "13 Huatai 01" and "13 Huatai 02" bonds, an AAA entity credit rating for the Company and a stable rating outlook. For the detailed contents of such reports, please refer to the announcements published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn) on May 10, 2014 and April 7, 2015.

(II) Information on the credit rating agency for 2015 corporate bonds

In compliance with relevant requirements including the Administrative Measures on the Issuance and Transaction of Corporate Bonds (《公司債券發行與交易管理辦法》) of CSRC and the Listing Rules for Corporate Bonds (《公司債券上市規則》) of Shanghai Stock Exchange, the Company entrusted Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to perform credit rating on the tranche of "15 Huatai G1" bonds, and the debt rating and entity credit rating were both AAA.

Corporate Bonds

The updated credit rating report on the 2015 corporate bonds is expected to be disclosed within 2 months after the publication of the Company's annual report for 2015. For the detailed rating results, please refer to the announcements to be made on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn).

V. CREDIT ENHANCEMENT MECHANISM AND SETTLEMENT PLAN FOR AND OTHER RELEVANT INFORMATION ON THE CORPORATE BONDS DURING THE REPORTING PERIOD

The credit enhancement mechanism for the 2013 corporate bonds and 2015 corporate bonds of the Company is issued with no security, and the settlement plan is to pay the interest once annually in the duration of the bonds and to pay the principal together with the last installment of interest.

During the Reporting Period, there was no change in the credit enhancement mechanism, settlement plan and other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants set out in the prospectus in relation to the settlement plan, paid interests for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, to protect the legal interests of the investors.

VI. MEETINGS OF THE HOLDERS OF CORPORATE BONDS

During the Reporting Period, the Company did not hold any meeting for the holders of corporate bonds.

VII. PERFORMANCE OF THE DUTIES BY THE ENTRUSTED MANAGERS OF CORPORATE BONDS

(I) Performance of the duties by the entrusted manager of 2013 corporate bonds

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year 2014). For the detailed contents of the report, please refer to the announcements published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn) on April 7, 2015.

(II) Performance of the duties by the entrusted manager of 2015 corporate bonds

The Report on the Entrusted Affairs in Relation to the 2015 Corporate Bonds of Huatai Securities Co., Ltd. is expected to be disclosed within 2 months after the publication of the Company's annual report for 2015. For the detailed contents of the report, please refer to the announcements to be published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn).

Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS UP TO THE END OF THE REPORTING PERIOD

Unit: Ten Thousand Yuan Currency: RMB

Primary indicators	2015	2014	Year-on-year	
			change (%)	Reason for change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,183,113.15	855,259.64	155.26%	Mainly due to the increase in the net profit during the year
Net cash (used)/ generated from investing activities	-2,112,233.99	232,475.70	-1,008.58%	Mainly due to the significant increase in the cash paid for investment
Net cash generated from financing activities	5,383,308.82	2,645,962.66	103.45%	Mainly due to the issuance of H shares by the Company and the increase in issued bonds
Cash and cash equivalents at the end of the year	1,859,575.94	3,188,388.42	-41.68%	Mainly due to the significant decrease in the net cash flow generated from operating activities
Current ratio	3.53	2.18	61.93%	Mainly due to the significant increase in monetary fund and financial assets measured at fair value with changes included in the profit or loss for the current period
Quick ratio	3.53	2.18	61.93%	Mainly due to the significant increase in monetary fund and financial assets measured at fair value with changes included in the profit or loss for the current period
Gearing ratio	74.85%	79.23%	-5.53%	—
EBITDA to total debt ratio	16.51%	8.78%	88.04%	Mainly due to the higher increase in the EBITDA than in the total debt during the year
Times interest earned	2.96	3.54	-16.38%	—
Time cash-interest earned	3.80	18.27	-79.20%	Mainly due to the significant decrease in the net cash flow generated from operating activities in the year as compared to the end of last year
Time interest earned of EBITDA	3.01	3.68	-18.21%	—
Loan repayment ratio	100%	100%	—	—
Interest payment ratio	100%	100%	—	—

Note: Customers' funds are not included in the above indicators.

Corporate Bonds

IX. ASSETS OF THE COMPANY AS OF THE END OF THE REPORTING PERIOD

As of end of the Reporting Period, the Company raised loans with a maximum amount of RMB500,000,000.00 for its projects from ICBC, Nanjing Xijiekou Sub-branch secured with land use rights, the original value of which was RMB353,732,401.40 with an accumulative amortisation of RMB54,397,855.55 and a book value of RMB299,334,545.85. As of the end of the Reporting Period, the Company was not subject to any other asset mortgage, pledge, seizure and freezing, or circumstance and arrangement under which it shall meet certain conditions to realize, or was unable to realize or use the assets to pay off debts or was restricted in exercising other rights, or any other liability that enjoyed priority in settlement against others.

X. INTEREST PAYMENT FOR AND REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

(I) Interest payment for and redemption of subordinated bonds

Details of the interests paid for and redemption of subordinated bonds by the Company during the Reporting Period were as follows:

Unit: in billions Currency: RMB

Abbreviation of the bonds	Issue size	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
14 Huatai 01	3.000	0.000	5.95	2014.4.21	2015.4.21	Principal and interest payment
14 Huatai 02	3.000	3.000	6.15	2014.4.21	2016.4.21	Interest payment
14 Huatai 03	2.000	0.000	5.70	2014.9.29	2017.9.29	Principal and interest payment
14 Huatai 04	4.000	4.000	5.90	2014.9.29	2018.9.29	Interest payment
14 Huatai 05	4.000	0.000	5.10	2014.11.21	2015.11.21	Principal and interest payment

Notes: 1. "14 Huatai 03" bonds rendered the issuer an option for redemption at the end of the first year; 2. "14 Huatai 04" rendered the issuer an option for redemption at the end of the second year.

Corporate Bonds

During the Reporting Period, the Company redeemed and paid the interest for “14 Huatai 01” bonds privately issued on April 21, 2014 with the principal and interest payment amounting to RMB3,178,500,000.00 (tax included); paid the interest for “14 Huatai 02” bonds privately issued on April 21, 2014 with the interest payment amounting to RMB184,500,000.00 (tax included); exercised the issuer’s option for redemption on “14 Huatai 03” bonds issued on September 29, 2014, and redeemed all the registered “14 Huatai 03” bonds on the redemption registration date with the principal and interest payment amounting to RMB2,114,000,000.00 (tax included); paid the interest for “14 Huatai 04” bonds issued on September 29, 2014 with the interest payment amounting to RMB236,000,000.00 (tax included); and redeemed and paid the interest for “14 Huatai 05” bonds issued on November 21, 2014 with the principal and interest payment amounting to RMB4,204,000,000.00 (tax included). For the details of such interest payments and redemptions, please refer to the announcements published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn).

(II) Interest payment for and redemption of short-term commercial papers

Details of the interests paid for and redemption of short-term commercial papers by the Company during the Reporting Period are as follows:

Unit: in billions Currency: RMB

Abbreviation of bonds	Issue size	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
14 HTSC CP011	3.000	0.00	4.34	2014.10.17	2015.1.14	Principal and interest payment
14 HTSC CP012	3.000	0.00	4.15	2014.11.18	2015.2.11	Principal and interest payment
14 HTSC CP013	2.500	0.00	5.20	2014.12.12	2015.3.12	Principal and interest payment
15 HTSC CP001	3.000	0.00	4.77	2015.1.16	2015.4.16	Principal and interest payment
15 HTSC CP002	3.000	0.00	4.90	2015.2.10	2015.5.08	Principal and interest payment
15 HTSC CP003	2.000	0.00	4.99	2015.3.11	2015.6.09	Principal and interest payment
15 HTSC CP004	3.000	0.00	4.80	2015.4.10	2015.7.09	Principal and interest payment

Corporate Bonds

During the Reporting Period, the Company redeemed and paid the principal and interest for “14 HTSC CP011” bonds with the principal and interest payment amounting to RMB3,031,747,397.26 (tax included); redeemed and paid the principal and interest for “14 HTSC CP012” bonds with the principal and interest payment amounting to RMB3,028,993,150.68 (tax included); redeemed and paid the principal and interest for “14 HTSC CP013” bonds with the principal and interest payment amounting to RMB2,532,054,794.52 (tax included); redeemed and paid the principal and interest for “15 HTSC CP001” bonds with the principal and interest payment amounting to RMB3,035,284,931.51 (tax included); redeemed and paid the principal and interest for “15 HTSC CP002” bonds with the principal and interest payment amounting to RMB3,035,038,356.16 (tax included); redeemed and paid the principal and interest for “15 HTSC CP003” bonds with the principal and interest payment amounting to RMB2,024,540,983.61 (tax included); and redeemed and paid the principal and interest for “15 HTSC CP004” bonds with the principal and interest payment amounting to RMB3,035,409,836.07 (tax included). For the details of such interest payments and redemptions, please refer to the announcements published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website (www.chinabond.com.cn).

(III) Interest Payment and Redemption of Short-term Corporate Bonds

Details of the interests paid for and redemption of short-term commercial papers by the Company during the Reporting Period are as follows:

Unit: RMB in billions Currency: RMB

Abbreviation of bonds	Issue size	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
15 Huatai D1	7.000	0.00	6.00	2014.12.18	2015.8.18	Principal and interest payment

During the Reporting Period, the Company redeemed and paid the principal and interest for “15 Huatai D1” bonds issued on December 18, 2014 with the principal and interest payment amounting to RMB7,280,000,000.00 (tax included). For the details of the interest payment and redemption, please refer to the announcements published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn).

XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company enhanced credit management, and as of the end of 2015, the total credit line obtained by the Company from commercial banks was RMB275.5 billion, representing a significant increase as compared to that as of the end of last year, which effectively supported the development of all the businesses of the Company.

The Company enjoys a good reputation, and repaid bank loans on time during 2015 without extension or reduction of any loan.

Corporate Bonds

XII. PERFORMANCE OF RELEVANT COVENANTS AND UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations for information disclosure, and paid the interests for the bonds on time to protect the legal interests of the investors. During the Reporting Period, the Company did not default on the redemption and interest payment of issued bonds, and operated stably with satisfactory earnings and no risk of it failing to make payments on time in the future.

XIII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the Reporting Period, the Company did not experience any major event set out in Rule 45 of the Administrative Measures for the Issuance and Transaction of Corporate Bonds that could impact the operation and solvency of the Company.

Financial Report

- I. The financial report (H Shares) of the Company for 2015 had been audited by KPMG, which issued a standard unqualified audit report.
- II. Financial statements (H Shares) (attached below).
- III. Notes to the financial Information (H Shares) (attached below).

Independent Auditor's Report



to the shareholders of Huatai Securities Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 297 to 444, which comprise the consolidated statements of financial position of the Group as at 31 December 2015, the consolidated income statements, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building,
10 Chater Road
Central, Hong Kong

29 March 2016

Consolidated Income Statements

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Revenue			
Fee and commission income	5	20,200,431	8,127,332
Interest income	6	11,893,681	4,850,805
Net investment gains	7	6,757,198	2,678,732
Total revenue		38,851,310	15,656,869
Other income and gains	8	564,215	321,616
Total revenue and other income		39,415,525	15,978,485
Fee and commission expenses	9	(5,675,615)	(1,650,054)
Interest expenses	10	(7,812,191)	(2,465,995)
Staff costs	11	(8,141,192)	(3,875,057)
Depreciation and amortisation expenses	12	(332,752)	(312,331)
Business tax and surcharges		(1,722,544)	(660,140)
Other operating expenses	13	(1,814,551)	(1,367,392)
Provision for impairment losses	14	(73,259)	(17,691)
Total expenses		(25,572,104)	(10,348,660)
Operating profit		13,843,421	5,629,825
Share of profit of associates		420,076	284,991
Profit before income tax		14,263,497	5,914,816
Income tax expense	15	(3,465,589)	(1,375,029)
Profit for the year		10,797,908	4,539,787
Attributable to:			
Shareholders of the Company		10,696,871	4,486,276
Non-controlling interests		101,037	53,511
		10,797,908	4,539,787
Basic and diluted earnings per share (in Renminbi per share)	19	1.65	0.80

The notes on pages 307 to 444 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in Note 54(h).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Profit for the year		10,797,908	4,539,787
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
— Net changes in fair value		1,731,473	2,373,692
— Reclassified to profit or loss		(19,462)	(442,942)
Share of other comprehensive income of associates		120,270	11,344
Exchange differences on translation of financial statements in foreign currencies		48,677	(2,866)
Income tax impact		(445,892)	(464,289)
Total other comprehensive income for the year, net of tax	18	1,435,066	1,474,939
Total comprehensive income for the year		12,232,974	6,014,726
Attributable to:			
Shareholders of the Company		12,107,098	5,961,011
Non-controlling interests		125,876	53,715
Total		12,232,974	6,014,726

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Financial Position

As at 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December	
		2015	2014
Non-current assets			
Property and equipment	20	3,379,018	3,303,686
Investment properties	21	1,301,531	673,981
Goodwill	22	51,342	51,342
Other intangible assets	23	424,968	401,211
Interest in associates	25	2,673,834	1,874,488
Held-to-maturity investments	26	5,000	5,000
Available-for-sale financial assets	27	25,624,381	4,969,114
Financial assets held under resale agreements	28	3,843,367	2,400,120
Financial assets at fair value through profit or loss	29	1,200,000	—
Refundable deposits	30	6,009,300	4,482,845
Deferred tax assets	31	212,609	178,878
Other non-current assets	32	78,174	108,854
Total non-current assets		44,803,524	18,449,519
Current assets			
Accounts receivable	33	621,554	362,653
Other receivables and prepayments	34	3,896,218	2,057,220
Margin accounts receivable	35	67,432,118	64,636,739
Available-for-sale financial assets	27	12,494,340	4,307,034
Financial assets held under resale agreements	28	21,791,161	18,309,906
Financial assets at fair value through profit or loss	29	130,038,108	55,999,958
Derivative financial assets	36	334,750	20,815
Clearing settlement funds	37	2,551,703	544,255
Cash held on behalf of brokerage clients	38	131,944,524	71,536,310
Cash and bank balances	39	36,706,615	36,001,627
Total current assets		407,811,091	253,776,517
Total assets		452,614,615	272,226,036

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Financial Position

As at 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December	
		2015	2014
Current liabilities			
Short-term bank loans	41	688,322	—
Short-term debt instruments issued	42	1,053,004	24,787,070
Placements from other financial institutions	43	3,000,000	1,500,000
Accounts payable to brokerage clients	44	128,367,379	70,228,405
Employee benefits payable	45	2,807,787	1,740,597
Other payables and accruals	46	99,320,062	56,802,319
Current tax liabilities		2,193,031	358,645
Financial assets sold under repurchase agreements	47	22,392,019	44,668,228
Financial liabilities at fair value through profit or loss	48	14,479,838	9,245
Derivative financial liabilities	36	2,460,345	730,743
Long-term bank loans due within one year	49	125,000	—
Long-term bonds due within one year	50	2,998,178	—
Total current liabilities		279,884,965	200,825,252
Net current assets		127,926,126	52,951,265
Total assets less current liabilities		172,729,650	71,400,784
Non-current liabilities			
Long-term bonds	51	69,374,000	21,345,324
Long-term bank loans	52	359,985	138,658
Non-current employee benefits payable	45	3,366,621	705,434
Deferred tax liabilities	31	351,819	601,174
Financial assets sold under repurchase agreements	47	10,800,000	5,000,000
Financial liabilities at fair value through profit or loss	48	6,948,454	—
Other non-current liabilities	53	—	1,665,786
Total non-current liabilities		91,200,879	29,456,376
Net assets		81,528,771	41,944,408

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Financial Position

As at 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December	
		2015	2014
Equity			
Share capital	54	7,162,769	5,600,000
Reserves	54	58,390,133	25,379,369
Retained profits	54	15,232,023	10,319,187
Total equity attributable to shareholders of the Company		80,784,925	41,298,556
Non-controlling interests		743,846	645,852
Total equity		81,528,771	41,944,408

Approved and authorised for issue by the board of directors on 29 March 2016.

Zhou Yi

*Chairman of the Board (acting),
Director and President*

Chen Chuanming

Director

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves						Retained profits	Total			
	Share capital (Note 54)	Capital reserve (Note 54)	Surplus reserve (Note 54)	General reserve (Note 54)	Fair value reserve (Note 54)	Translation reserve (Note 54)					
As at 1 January 2015	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408	
Changes in equity for 2015											
Profit for the year	–	–	–	–	–	–	10,696,871	10,696,871	101,037	10,797,908	
Other comprehensive income	–	–	–	–	1,348,655	61,572	–	1,410,227	24,839	1,435,066	
Total comprehensive income	–	–	–	–	1,348,655	61,572	10,696,871	12,107,098	125,876	12,232,974	
Issuance of H shares	1,562,769	28,590,928	–	–	–	–	–	30,153,697	–	30,153,697	
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	171	171	
Capital transaction with non-controlling shareholders of a subsidiary	–	25,574	–	–	–	–	–	25,574	(28,053)	(2,479)	
Appropriation to surplus reserve	–	–	914,522	–	–	–	(914,522)	–	–	–	
Appropriation to general reserve	–	–	–	2,069,513	–	–	(2,069,513)	–	–	–	
Dividends declared for the year	–	–	–	–	–	–	(2,800,000)	(2,800,000)	–	(2,800,000)	
As at 31 December 2015	7,162,769	45,837,763	2,607,376	6,681,123	3,237,861	26,010	15,232,023	80,784,925	743,846	81,528,771	
As at 1 January 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977	
Changes in equity for 2014											
Profit for the year	–	–	–	–	–	–	4,486,276	4,486,276	53,511	4,539,787	
Other comprehensive income	–	–	–	–	1,474,488	247	–	1,474,735	204	1,474,939	
Total comprehensive income	–	–	–	–	1,474,488	247	4,486,276	5,961,011	53,715	6,014,726	
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	25	25	
Capital transaction with non-controlling shareholders of a subsidiary	–	1,352	–	–	–	–	–	1,352	(24,587)	(23,235)	
Appropriation to surplus reserve	–	–	390,087	–	–	–	(390,087)	–	–	–	
Appropriation to general reserve	–	–	–	870,036	–	–	(870,036)	–	–	–	
Dividends declared for the year	–	–	–	–	–	–	(840,000)	(840,000)	(9,974)	(849,974)	
Other	–	1,889	–	–	–	–	–	1,889	–	1,889	
As at 31 December 2014	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408	

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Cash Flow

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Cash flows from operating activities:			
Profit before income tax		14,263,497	5,914,816
Adjustments for:			
Interest expenses		7,812,191	2,465,995
Share of profit of associates		(420,076)	(284,991)
Depreciation and amortisation expenses		332,752	312,331
Provision for impairment losses		73,259	17,691
Losses/(gains) on disposal of property and equipment		4,064	(7,272)
Foreign exchange gains		(370,028)	(2,745)
Net realised gains from available-for-sale financial assets and other investments		(1,130,112)	(575,273)
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(307,725)	(177,379)
Unrealised fair value changes in financial instruments through profit or loss		(732,588)	(2,034,093)
Unrealised fair value changes in derivatives		1,384,265	720,272
Operating cash flows before movements in working capital		20,909,499	6,349,352
Increase in refundable deposits		(1,526,455)	(952,742)
Increase in margin accounts receivable		(2,855,159)	(44,790,093)
Increase in accounts receivables, other receivables and prepayments		(2,042,053)	(1,193,719)
Increase in financial assets held under resale agreements		(5,857,590)	(11,732,337)
Increase in financial instruments at fair value through profit or loss		(59,667,820)	(29,628,893)
Increase in restricted bank deposits		(15,083,484)	(4,005,086)
Increase in cash held on behalf of brokerage clients		(60,408,214)	(42,406,342)
Increase in accounts payable to brokerage clients		58,138,974	39,385,833
Increase in other payables and accruals		39,399,234	37,489,216
Increase in employee benefits payable and other non-current liabilities		3,728,376	2,175,172
(Decrease)/increase in financial assets sold under repurchase agreements		(16,476,209)	39,799,404
Increase in placements from other financial institutions		1,500,000	415,000
Cash used in operations		(40,240,901)	(9,095,235)
Income taxes paid		(2,360,181)	(1,194,634)
Interest paid		(3,816,650)	(883,627)
Net cash used in operating activities		(46,417,732)	(11,173,496)

The notes on pages 307 to 444 form part of these financial statements.

Consolidated Statements of Cash Flow

For the year ended 31 December 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		4,454	14,521
Dividends received from associates		135,000	100,600
Dividends and interest received from available-for-sale financial assets and other investments		307,725	706,829
Proceeds from other limited partners' interest in private equity		4,263,544	687,400
Proceeds on disposal of available-for-sale financial assets		1,130,112	1,536,260
Proceeds on disposal of an associate		—	36,433
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(837,197)	(657,770)
Purchases of associates and other investments		(446,160)	(99,516)
Purchases of available-for-sale financial assets		(25,679,818)	—
Net cash (used in)/generated from investing activities		(21,122,340)	2,324,757
Cash flows from financing activities:			
Net proceeds from issuance of H shares		30,587,690	—
Proceeds from non-controlling interests		51,172	25
Proceeds from issuance of short-term debt instruments		25,655,580	51,620,070
Proceeds from issuance of long-term bonds		53,324,060	11,358,351
Proceeds from bank loans		1,034,649	138,658
Repayment of debt securities issued		(51,214,646)	(34,833,000)
Short-term debt instruments interest paid		(802,563)	(436,986)
Long-term bonds interest paid		(1,513,617)	(500,858)
Dividends paid		(2,800,000)	(849,973)
Payment for other financing activities		(489,236)	(36,660)
Net cash generated from financing activities		53,833,089	26,459,627
Net (decrease)/increase in cash and cash equivalents		(13,706,983)	17,610,888
Cash and cash equivalents at the beginning of the year		31,883,884	14,273,117
Effect of foreign exchange rate changes		418,858	(121)
Cash and cash equivalents at the end of the year	40	18,595,759	31,883,884

The notes on pages 307 to 444 form part of these financial statements.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

Huatai Securities Co., Ltd. (the “Company”), formerly known as Jiangsu Securities Co., was approved by the People’s Bank of China (“PBOC”), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (A shares) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,769 thousand H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

As at 31 December 2015, the Company’s registered capital was RMB7,162,769 thousand and the Company has a total of 7,162,769 thousand issued shares of RMB1 each.

The Company and its subsidiaries (the “Group”) principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business, industrial investment, import and export of commodity, entrepot trade, commodity sales service and other business activities approved by the China Securities Regulatory Commission (“CSRC”).

2 BASIS OF PREPARATION

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs to the year ended 31 December 2015, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2015 are set out in Note 63.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(2) Basis of measurement

The financial statements has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 3(e).

(3) Functional and presentation currency

The financial statements is presented in Renminbi (“RMB”), which is the functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group’s functional currency if the subsidiaries’ functional currencies are not the same as that of the Group.

(4) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3(x).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(a) (ii)).

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(b) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(l)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency (continued)

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

(e) Financial instruments

(i) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorised as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(i) Recognition and measurement of financial assets and financial liabilities (continued)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(i) Recognition and measurement of financial assets and financial liabilities (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

- those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or
- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(i) Recognition and measurement of financial assets and financial liabilities (continued)

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend (see Note 3(r)(vi)). Impairment losses are recognised in profit or loss (see Note 3(e)(iii)).

Other fair value changes, other than impairment losses (see Note 3(e)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(ii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(ii) Fair value measurement (continued)

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Loans and receivables

The Group assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. A significant or prolonged decline in the fair value of an equity investment is an indicator of impairment in such investments where a decline in the fair value of equity investment below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which impairment loss is recognised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(vii) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(viii) Asset-backed securities

The Group securitises the financial assets, which generally results in the sale of these financial assets to structured entities. The structured entities in turn issue asset-backed securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests. For asset securitisation business, the Group has applied the accounting policies set out in Note 3(a) when assessing consolidation of the structured entities and applied the accounting policies described in Note 3(e)(iv) when assessing whether or not to derecognise the transferred financial assets.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(g) Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(h) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(a).

In the Company's statements of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 3(l)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment and construction in progress

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment and construction in progress (continued)

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	30–50 years	3%	1.94%–3.23%
Motor vehicles	3–8 years	3%	12.13%–32.33%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	2–5 years	3%	19.40%–48.50%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 3(l)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	Estimated residual values	Depreciation rates
Investment property	30–35 years	3%	2.77%–3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

(k) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3(l)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Types of assets	Estimated useful lives
Land-use right	50 years
Software and others	2–3 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(o) Operating leases

(i) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(ii) Assets leased out under operating leases

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3(i)(iii). Impairment losses are recognised in accordance with the accounting policies described in Note 3(l). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting and sponsor fees are recognised when the obligation of underwriting or sponsorship is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition (continued)

(iii) Advisory fees

Revenue arising from advisory services is recognised on completion of such services.

(iv) Asset management fees

Asset management fees are recognised when the Group is entitled to receive the income under the asset management agreement.

(v) Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(vi) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vii) Other income

Other income is recognised on an accrual basis.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(iv) Other expenses

Other expenses are recognised on an accrual basis.

(t) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(x) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Impairment of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Significant accounting estimates and judgements (continued)

(ii) Impairment of capital-based intermediary businesses

The Group reviews the capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) to assess the impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment. The Group makes an estimate of the value of the collaterals received from the customers firstly on an individual basis, then on a collective basis in determining the impairment. The methodology and assumptions used for estimating impairment of capital-based intermediary businesses are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iii) Impairment of receivables

Receivables that are measured at amortised cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(iv) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Significant accounting estimates and judgements (continued)

(v) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vii) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as the manager or investment consultant, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Change in accounting estimates

The Group continuously re-visits accounting estimates including the way of making provisions for impairment losses against accounts receivables, other receivables, margin accounts receivable and financial assets held under resale agreements. Such changes do not have material impacts on the financial statements.

4 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Business tax	Based on taxable revenue	5%
Value added tax	Based on taxable revenue	13%–17%
City maintenance and construction tax	Based on business tax and value added tax paid	5%–7%
Education surcharge	Based on business tax and value added tax paid	2%–3%
Income tax	Based on taxable profits	16.5%–25%

The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

5 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2015	2014
Income from securities brokerage and advisory business	17,946,883	6,422,861
Income from futures brokerage business	226,169	225,412
Income from underwriting and sponsorship business	1,036,976	799,034
Income from financial advisory business	553,880	435,026
Income from asset management business	389,591	244,999
Other commission income	46,932	—
Total	20,200,431	8,127,332

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

6 INTEREST INCOME

	Year ended 31 December	
	2015	2014
Interest income from financial institutions	3,906,602	1,458,238
Interest income from margin financing and securities lending	6,888,494	2,466,704
Interest income from securities-backed lending and stock repurchases	1,052,472	496,632
Interest income from other financial assets held under resale agreements	40,696	97,597
Others	5,417	331,634
Total	11,893,681	4,850,805

7 NET INVESTMENT GAINS

	Year ended 31 December	
	2015	2014
Net realised gains from disposal of available-for-sale financial assets	1,130,112	569,354
Dividend income and interest income from available-for-sale financial assets	307,496	177,150
Net realised gains from disposal of financial instruments		
at fair value through profit or loss	3,693,752	1,969,733
Dividend income and interest income from financial instruments		
at fair value through profit or loss	2,665,918	1,128,720
Net realised losses from disposal of derivative financial instruments	(324,275)	(2,314,692)
Interest income from held-to-maturity investments	229	229
Unrealised fair value changes of financial instruments		
at fair value through profit or loss	732,588	2,034,093
Unrealised fair value changes of derivative financial instruments	(1,448,622)	(891,774)
Others	—	5,919
Total	6,757,198	2,678,732

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER INCOME AND GAINS

	Year ended 31 December	
	2015	2014
Government grants	14,366	25,376
Rental income	49,624	38,969
Gains on disposal of property and equipment	492	11,864
Income from commodity sales	25,748	186,473
Foreign exchange gains	370,028	2,745
Others	103,957	56,189
Total	564,215	321,616

The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

9 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2015	2014
Expenses for securities brokerage and advisory business	5,402,524	1,546,404
Expenses for futures brokerage business	18,909	47,808
Expenses for underwriting and sponsorship business	32,936	53,701
Expenses for financial advisory business	6,811	—
Expenses for asset management business	199,077	2,141
Other commission expenses	15,358	—
Total	5,675,615	1,650,054

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INTEREST EXPENSES

	Year ended 31 December	
	2015	2014
Interest expenses on financial assets sold under repurchase agreements	2,769,733	846,552
Interest expenses of accounts payable to brokerage clients	577,308	140,546
Interest expenses on placements	161,778	145,740
Interest expenses on short-term debt instruments issued	1,095,298	573,503
Interest expenses on long-term bonds	2,745,891	758,342
Interest expenses on gold leasing	439,628	—
Others	22,555	1,312
Total	7,812,191	2,465,995

11 STAFF COSTS

	Year ended 31 December	
	2015	2014
Salaries, bonuses and allowances	7,708,701	3,512,336
Contribution to pension schemes	133,689	128,050
Other social welfare	298,802	234,671
Total	8,141,192	3,875,057

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

12 DEPRECIATION AND AMORTISATION EXPENSES

	Year ended 31 December	
	2015	2014
Depreciation of property and equipment	161,570	149,549
Depreciation of investment properties	34,907	19,504
Amortisation of other intangible assets	80,858	60,566
Amortisation of leasehold improvements and long-term deferred expenses	55,417	82,712
Total	332,752	312,331

13 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
Rental expenses	223,510	222,601
Postal and communication expenses	146,470	120,431
Business entertainment expenses	98,871	105,507
Consulting fees	60,116	57,180
Business travel expenses	91,217	70,545
Utilities	47,633	32,250
IT expenses	37,977	33,875
Securities investor protection funds	142,037	57,017
Auditors' remuneration	7,330	3,920
Marketing, advertising and promotion expenses	66,808	62,141
Stock exchange fees	183,175	66,280
Cost of commodity sales	37,515	192,089
Penalty provision ⁽¹⁾	72,941	—
Others	598,951	343,556
Total	1,814,551	1,367,392

(1) The Group made the penalty provision of RMB72,941 thousand according to the Notice of Proposed Administrative Penalty (CF Zi [2015] No. 72) from the CSRC.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

14 PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December	
	2015	2014
Provision for impairment losses against accounts receivable	1,452	343
(Reversal of)/provision for impairment losses against other receivables and prepayments	(3,985)	8,735
Provision for impairment losses against margin accounts receivable	59,780	5,578
Provision for impairment losses against financial assets held under resale agreements	16,012	—
Provision for impairment losses against available-for-sale financial assets	—	409
Provision for impairment losses against investment properties	—	2,626
Total	73,259	17,691

15 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statements represents:

	Year ended 31 December	
	2015	2014
Current tax		
— PRC income tax	4,148,728	1,215,873
— Hong Kong profits tax	46,485	—
	4,195,213	1,215,873
Adjustment in respect of prior years		
— PRC income tax	(646)	(3,933)
— Hong Kong profits tax	—	21
	(646)	(3,912)
Deferred tax		
Origination and reversal of temporary differences	(728,978)	163,068
Total	3,465,589	1,375,029

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

15 INCOME TAX EXPENSE (continued)

(a) Taxation in the consolidated income statements (continued):

- (i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's PRC subsidiaries are subject to CIT at the statutory tax rate of 25%.
- (ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2015	2014
Profit before income tax	14,263,497	5,914,816
National tax calculated using the PRC statutory tax rate	3,565,874	1,478,704
Tax effect of non-deductible expenses	55,898	30,855
Tax effect of non-taxable income	(188,595)	(120,428)
Tax effect of unused tax losses not recognised	49,846	4,068
Effect of different tax rates of the subsidiary	(24,456)	2,060
Utilisation of tax losses previously not recognized	(6,164)	(410)
Adjustment for prior years	(646)	(3,912)
Others	13,832	(15,908)
Actual income tax expense	3,465,589	1,375,029

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors who held office during the reporting period is as follows:

Name	Year ended 31 December 2015				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	
Executive directors					
Wu Wanshan ⁽¹⁾	—	1,358	39	—	1,397
Zhou Yi	—	1,358	39	—	1,397
Non-executive directors					
Sun Lu ⁽²⁾	—	—	—	—	—
Wang Shuhua ⁽²⁾	—	—	—	—	—
Pu Baoying ⁽²⁾	—	—	—	—	—
Sun Hongning ⁽²⁾	—	—	—	—	—
Xue Binghai ⁽²⁾⁽³⁾	—	—	—	—	—
Zhou Yong ⁽²⁾⁽⁴⁾	—	—	—	—	—
Cai Biao ⁽²⁾	—	—	—	—	—
Ying Wenlu ⁽²⁾⁽⁵⁾	—	—	—	—	—
Xu Min ⁽²⁾⁽⁶⁾	—	—	—	—	—
Wang Huijuan ⁽²⁾⁽⁷⁾	—	—	—	—	—
Independent non-executive directors					
Bai Wei	120	—	—	—	120
Shen Kunrong	120	—	—	—	120
Liu Hongzhong	120	—	—	—	120
Zhang Jie ⁽⁸⁾	120	—	—	—	120
Wang Quanzhou ⁽⁹⁾	40	—	—	—	40
Lee Chi Ming ⁽¹⁰⁾	80	—	—	—	80
Chen Zhibin ⁽¹¹⁾	30	—	—	—	30
Supervisors					
Yu Yimin ⁽²⁾	—	—	—	—	—
Gao Xu ⁽²⁾	—	—	—	—	—
Du Wenyi ⁽²⁾	—	—	—	—	—
Song Weibin ⁽²⁾	—	—	—	—	—
Mao Huipeng ⁽²⁾⁽¹²⁾	—	—	—	—	—
Liu Zhihong ⁽²⁾⁽¹³⁾	—	—	—	—	—
Dong Junzheng ⁽²⁾	—	—	—	—	—
Peng Min	—	792	39	2,080	2,911
Zhou Xiang	—	692	39	2,124	2,855
Zhang Hui	—	641	39	2,212	2,892
Total	630	4,841	195	6,416	12,082

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Name	Year ended 31 December 2014				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	
Executive directors					
Wu Wanshan ⁽¹⁾	—	1,063	35	3,178	4,276
Zhou Yi	—	1,063	35	3,178	4,276
Non-executive directors					
Xu Zujian ⁽²⁾⁽¹⁴⁾	—	—	—	—	—
Sun Lu ⁽²⁾	—	—	—	—	—
Wang Shuhua ⁽²⁾	—	—	—	—	—
Pu Baoying ⁽²⁾	—	—	—	—	—
Sun Hongning ⁽²⁾	—	—	—	—	—
Xue Binghai ⁽²⁾⁽³⁾	—	—	—	—	—
Cai Biao ⁽²⁾	—	—	—	—	—
Ying Wenlu ⁽²⁾⁽⁵⁾	—	—	—	—	—
Wang Huijuan ⁽²⁾⁽⁷⁾	—	—	—	—	—
Independent non-executive directors					
Bai Wei	120	—	—	—	120
Shen Kunrong	120	—	—	—	120
Liu Hongzhong	120	—	—	—	120
Zhang Jie ⁽⁸⁾	120	—	—	—	120
Wang Quanzhou ⁽⁹⁾	40	—	—	—	40
Wang Shiding ⁽¹⁵⁾	80	—	—	—	80
Supervisors					
Yu Yimin ⁽²⁾	—	—	—	—	—
Gao Xu ⁽²⁾	—	—	—	—	—
Du Wenyi ⁽²⁾	—	—	—	—	—
Song Weibin ⁽²⁾	—	—	—	—	—
Mao Huipeng ⁽²⁾⁽¹²⁾	—	—	—	—	—
Dong Junzheng ⁽²⁾	—	—	—	—	—
Peng Min	—	498	35	1,603	2,136
Zhou Xiang	—	467	35	1,338	1,840
Zhang Hui	—	443	35	1,302	1,780
Total	600	3,534	175	10,599	14,908

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- (1) Resigned as executive director on 18 December 2015.
- (2) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, Jiangsu High Hope International Group Co., Ltd., Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Guohua Energy Investment Co., Ltd.. No allocation of the remunerations between these related parties and the Group has been made during the reporting period.
- (3) Resigned as non-executive director on 16 January 2015.
- (4) Appointed as non-executive director on 21 January 2015.
- (5) Resigned as non-executive director on 9 October 2015.
- (6) Appointed as non-executive director on 9 October 2015.
- (7) Resigned as non-executive director on 16 February 2015.
- (8) Resigned as independent non-executive director on 4 December 2015.
- (9) Resigned as independent non-executive director on 30 April 2015.
- (10) Appointed as independent non-executive director on 30 April 2015.
- (11) Appointed as independent non-executive director on 9 October 2015.
- (12) Resigned as supervisor on 9 October 2015.
- (13) Appointed as supervisor on 9 October 2015.
- (14) Resigned as non-executive director on 15 September 2014.
- (15) Resigned as independent non-executive director on 10 September 2014.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the reporting period.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2015	2014
Salaries and allowances	7,024	5,110
Discretionary bonuses	35,767	25,042
Employer's contribution to pension schemes	281	262
Total	43,072	30,414

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2015	2014
	Number of individuals	Number of individuals
HKD7,000,001 to HKD7,500,000	—	3
HKD7,500,001 to HKD8,000,000	—	—
HKD8,000,001 to HKD8,500,000	—	1
HKD8,500,001 to HKD9,000,000	2	1
HKD9,000,001 to HKD9,500,000	—	—
HKD9,500,001 to HKD10,000,000	1	—
HKD10,000,001 to HKD15,000,000	2	—
	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2015		
	Tax (expense)		
	Before tax	/benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	1,731,473	(430,605)	1,300,868
– Reclassified to profit or loss	(19,462)	4,866	(14,596)
Share of other comprehensive income of associates	120,270	(20,153)	100,117
Exchange differences on translation of financial statements in foreign currencies	48,677	–	48,677
Total	1,880,958	(445,892)	1,435,066

	Year ended 31 December 2014		
	Tax (expense)		
	Before tax	/benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	2,373,692	(575,025)	1,798,667
– Reclassified to profit or loss	(442,942)	110,736	(332,206)
Share of other comprehensive income of associates	11,344	–	11,344
Exchange differences on translation of financial statements in foreign currencies	(2,866)	–	(2,866)
Total	1,939,228	(464,289)	1,474,939

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 BASIC AND DILUTED EARNINGS PER SHARE

	Note	Year ended 31 December	
		2015	2014
Profit attributable to shareholders of the Company		10,696,871	4,486,276
Weighted average number of ordinary shares (thousands)	19(a)	6,501,715	5,600,000
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)		1.65	0.80

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

(a) Weighted average number of ordinary shares (in thousands)

	Year ended 31 December	
	2015	2014
Number of ordinary shares as at 1 January	5,600,000	5,600,000
Increase in weighted average number of ordinary shares	901,715	—
Weighted average number of ordinary shares	6,501,715	5,600,000

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

20 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2015	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Additions	—	6,355	186,559	4,587	718,031	915,532
Transfer during the year (Note 32)	1,470,969	—	—	—	(1,478,727)	(7,758)
Transfer to investment properties (Note 21)	(209,712)	—	—	—	(523,483)	(733,195)
Disposals	—	(4,307)	(156,354)	(12,886)	—	(173,547)
As at 31 December 2015	2,572,138	150,655	610,791	78,998	761,146	4,173,728
Accumulated depreciation						
As at 1 January 2015	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Charge for the year	(64,089)	(14,317)	(71,610)	(11,554)	—	(161,570)
Transfer to investment properties (Note 21)	70,738	—	—	—	—	70,738
Disposals	—	3,440	149,272	12,420	—	165,132
As at 31 December 2015	(260,089)	(106,741)	(365,945)	(61,935)	—	(794,710)
Carrying amount						
As at 31 December 2015	2,312,049	43,914	244,846	17,063	761,146	3,379,018
Cost						
As at 1 January 2014	1,391,767	151,140	695,060	83,646	871,595	3,193,208
Additions	1,781	1,225	42,582	13,400	1,186,332	1,245,320
Transfer during the year (Note 32)	—	—	—	—	(12,602)	(12,602)
Transfer to investment properties (Note 21)	(79,011)	—	—	—	—	(79,011)
Disposals	(3,656)	(3,758)	(157,056)	(9,749)	—	(174,219)
As at 31 December 2014	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Accumulated depreciation						
As at 1 January 2014	(237,324)	(83,586)	(508,454)	(65,330)	—	(894,694)
Charge for the year	(38,829)	(15,440)	(88,928)	(6,352)	—	(149,549)
Transfer to investment properties (Note 21)	8,110	—	—	—	—	8,110
Disposals	1,305	3,162	153,775	8,881	—	167,123
As at 31 December 2014	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Carrying amount						
As at 31 December 2014	1,044,143	52,743	136,979	24,496	2,045,325	3,303,686

As at 31 December 2015 and 31 December 2014, included in buildings, there is a carrying amount of RMB42,698 thousand and RMB88,890 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENT PROPERTIES

	2015	2014
Cost		
As at 1 January	774,907	696,218
Additions	—	—
Transfer in from property and equipment (Note 20)	733,195	79,011
Disposals	—	(322)
As at 31 December	1,508,102	774,907
Accumulated depreciation		
As at 1 January	(96,379)	(68,934)
Charge for the year	(34,907)	(19,504)
Transfer in from property and equipment (Note 20)	(70,738)	(8,110)
Disposals	—	169
As at 31 December	(202,024)	(96,379)
Impairment		
As at 1 January	(4,547)	(1,921)
Impairment losses of the year	—	(2,626)
As at 31 December	(4,547)	(4,547)
Carrying amount	1,301,531	673,981

As at 31 December 2015 and 31 December 2014, included in investment properties, there is a carrying amount of RMB148,099 thousand and RMB166,409 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 GOODWILL

	As at 31 December	
	2015	2014
Cost	51,342	51,342
Less: Provision for impairment losses	—	—
Carrying amount	51,342	51,342

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2015	2014
Investment banking	51,090	51,090
Futures brokerage	252	252
Total	51,342	51,342

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Huatai Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The recoverable amounts of each CGU are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are the CGUs' specific weighted average cost of capital, adjusted for the risks of the specific CGUs.

As at 31 December 2015, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU and futures brokerage CGU since the recoverable amounts were greater than their carrying amounts, respectively.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER INTANGIBLE ASSETS

	Land-use right	Software and others	Total
Cost			
As at 1 January 2015	359,161	383,683	742,844
Additions	—	104,719	104,719
Disposals	—	(539)	(539)
As at 31 December 2015	359,161	487,863	847,024
Accumulated amortisation			
As at 1 January 2015	(49,340)	(292,293)	(341,633)
Charge for the year	(7,196)	(73,663)	(80,859)
Disposals	—	436	436
As at 31 December 2015	(56,536)	(365,520)	(422,056)
Carrying amount			
As at 31 December 2015	302,625	122,343	424,968
Cost			
As at 1 January 2014	359,161	305,815	664,976
Additions	—	79,835	79,835
Disposals	—	(1,967)	(1,967)
As at 31 December 2014	359,161	383,683	742,844
Accumulated amortisation			
As at 1 January 2014	(42,726)	(240,308)	(283,034)
Charge for the year	(6,614)	(53,952)	(60,566)
Disposals	—	1,967	1,967
As at 31 December 2014	(49,340)	(292,293)	(341,633)
Carrying amount			
As at 31 December 2014	309,821	91,390	401,211

As at 31 December 2015 and 31 December 2014, there is a carrying amount of RMB299,335 thousand and RMB306,409 thousand land-use right being mortgaged for the long-term bank loans (Note 52).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor ⁽²⁾ GAAP	
			2015	2014		2015	2014
Huatai United Securities Co., Ltd.	PRC 5 September 1997	RMB 997,480,000	99.72%	98.58%	Investment banking	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC 10 July 1995	RMB 809,000,000	60%	60%	Futures brokerage	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Zijin Investment Co., Ltd.	PRC 12 August 2008	RMB 2,750,000,000	100%	100%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited	Hong Kong 23 November 2006	HKD 1,000,000,000	100%	100%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd.	PRC 21 November 2013	RMB 500,000,000	100%	100%	Alternative investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd. ⁽³⁾	PRC 16 October 2014	RMB 1,000,000,000	100%	100%	Asset management	KPMG PRC PRC GAAP	—
Huatai Ruilian Funds Mergers (Limited Partnership) ⁽¹⁾⁽⁴⁾	PRC 17 March 2014	RMB 600,000,000	32%	32%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Ruilin Equity Management (Limited Partnership) ⁽¹⁾⁽³⁾⁽⁴⁾	PRC 28 September 2014	RMB 500,000,000	31%	31%	Equity investment	KPMG PRC PRC GAAP	—
Beijing Ruilian Jingshen Investment (Limited Partnership) ⁽¹⁾⁽³⁾	PRC 22 August 2014	RMB 120,200,000	100%	100%	Investment management	KPMG PRC PRC GAAP	—
Shenzhen Huatai Ruilin NO.1 Equity Management (Limited Partnership) ⁽¹⁾⁽⁴⁾	PRC 22 January 2015	RMB 204,000,000	25%	—	Equity investment	KPMG PRC PRC GAAP	—
Shenzhen Qianhai Ruilian NO.7 Investment (Limited Partnership) ⁽¹⁾	PRC 22 January 2015	RMB 3,001,000,000	50.02%	—	Equity investment	KPMG PRC PRC GAAP	—
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) ⁽¹⁾⁽⁴⁾	PRC 1 June 2015	RMB 500,000,000	45%	—	Equity investment	KPMG PRC PRC GAAP	—
Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) ⁽¹⁾	PRC 5 August 2015	RMB 3,559,660,000	60.49%	—	Equity investment	KPMG PRC PRC GAAP	—

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 INVESTMENTS IN SUBSIDIARIES (continued)

- (1) These subsidiaries are indirectly controlled by the Company.
- (2) Auditors of the respective subsidiaries of the Group are as follows:
 - KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
 - KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- (3) These subsidiaries were newly incorporated during 2014 and no statutory audit has been performed for each subsidiary since their establishment and up to the date of 31 December 2014.
- (4) As at 31 December 2015, the Company indirectly holds less than 50.00% equity interest of Huatai Ruilian Funds Mergers (Limited Partnership), Huatai Ruilin Equity Management (Limited Partnership), Shenzhen Huatai Ruilin NO.1 Equity Management (Limited Partnership), and Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership). Pursuant to the partnership agreement, the Company has the power over these funds and it is able to use the power to influence the amount of variable returns to the Company. The directors of the Company consider the Company has the power to control these funds and they are therefore accounted for as subsidiaries of the Group.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to Huatai Futures Co., Ltd., the only subsidiary of the Group which has material non-controlling interest (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination:

	2015	2014
NCI percentage	40%	40%
Assets	18,371,593	9,109,060
Liabilities	(17,139,410)	(8,041,263)
Net assets	1,232,183	1,067,797
Carrying amount of NCI	492,873	427,119
Revenue	2,655,591	541,874
Profit for the year	164,377	96,990
Other comprehensive income	9	—
Total comprehensive income	164,386	96,990
Profit allocated to NCI	65,751	38,796
Dividend paid to NCI	—	—
Cash flows from operating activities	7,534,018	1,959,442
Cash flows from investing activities	(46,205)	(586,342)
Cash flows from financing activities	600,000	(14,798)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INTEREST IN ASSOCIATES

	As at 31 December	
	2015	2014
Share of net assets	2,673,834	1,874,488

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Southern Asset Management Co., Ltd.	Shenzhen	300,000	45%	45%	—	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	200,000	49%	49%	—	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Nanjing	2,000,000	48.25%	—	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INTEREST IN ASSOCIATES (continued)

Summarised financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

China Southern Asset Management Co., Ltd.

	2015	2014
Gross amounts of the associate		
Assets	5,391,751	4,503,567
Liabilities	(1,636,146)	(1,270,497)
Net assets	3,755,605	3,233,070
Revenue	2,998,545	2,247,987
Profit for the year	831,156	649,707
Other comprehensive income	52,591	7,177
Total comprehensive income	883,747	656,884
Dividend received from the associate	135,000	81,000
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	3,549,187	3,020,720
The Group's effective interest	45%	45%
The Group's share of net assets of the associate	1,597,134	1,359,324
Carrying amount in the consolidated financial statements	1,597,134	1,359,324

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INTEREST IN ASSOCIATES (continued)

Huatai-PineBridge Fund Management Co., Ltd.

	2015	2014
Gross amounts of the associate		
Assets	973,665	684,627
Liabilities	(282,846)	(187,915)
Net assets	690,819	496,712
Revenue	648,258	319,985
Profit for the year	164,310	55,819
Other comprehensive income	29,796	8,018
Total comprehensive income	194,106	63,837
Dividend received from the associate	—	19,600
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	690,819	496,712
The Group's effective interest	49%	49%
The Group's share of net assets of the associate	338,501	243,389
Carrying amount in the consolidated financial statements	338,501	243,389

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INTEREST IN ASSOCIATES (continued)

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	2015	2014
Gross amounts of the associate		
Assets	1,047,902	522,202
Liabilities	(216)	(21,000)
Net assets	1,047,686	501,202
Revenue	21,315	32,052
Loss for the year	(20,474)	(8,380)
Other comprehensive income	166,958	—
Total comprehensive income	146,484	(8,380)
Dividend received from the associate	—	—
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	1,047,686	501,202
The Group's effective interest	48.25%	48.25%
The Group's share of net assets of the associate	505,508	241,830
Other adjustment	14,694	14,694
Carrying amount in the consolidated financial statements	520,202	256,524

Aggregate information of associates that are not individually material:

	2015	2014
Aggregate carrying amount of individually immaterial associates		
in the consolidated financial statements	217,997	15,251
Aggregate amounts of the Group's share of those associates' gains	1,691	551
Other comprehensive income	55	—
Total comprehensive income	1,746	551

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

26 HELD-TO-MATURITY INVESTMENTS

	As at 31 December	
	2015	2014
Listed outside Hong Kong:		
– Debt securities	5,000	5,000

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
Non-current	2015	2014
At fair value:		
– Equity securities	10,591,163	4,485,675
– Debt securities	236,056	242,031
– Funds	3,810	2,760
– Wealth management products	14,587,563	106,354
At cost:		
– Equity securities	211,505	138,010
Less: Impairment losses	(5,716)	(5,716)
Total	25,624,381	4,969,114
Analysed as:		
Listed outside Hong Kong	1,635,694	244,791
Unlisted	23,988,687	4,724,323
Total	25,624,381	4,969,114

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Current	As at 31 December	
	2015	2014
At fair value:		
– Equity securities	10,822,617	609,368
– Debt securities	206,521	149,310
– Funds	253,631	339,671
– Wealth management products	1,211,571	3,210,376
Less: Impairment losses	–	(1,691)
Total	12,494,340	4,307,034
Analysed as:		
Listed outside Hong Kong	10,969,505	942,273
Listed inside Hong Kong	91,682	–
Unlisted	1,433,153	3,364,761
Total	12,494,340	4,307,034

The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed RMB10,000,000 thousand on 6 July 2015 and RMB4,439,640 thousand on 2 September 2015 respectively to the special account established and managed by CSF for unified operation, including investment in blue-chip ETFs. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. As at 31 December 2015, the investment report provided by CSF is used to estimate the fair value of the investment.

As at 31 December 2015 and 31 December 2014, the fund investments with lock-up periods held by the Group are RMB3,810 thousand and RMB2,760 thousand respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

As at 31 December 2015 and 31 December 2014, the non-current listed equity securities held by the Group included approximately RMB1,427,227 thousand and nil of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date. And for the fair value of the equity which can be measured reliably, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

Non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 31 December 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB2,528 thousand and RMB7,865 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 35(b) together with the fair value of collaterals of margin financing business.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2015	2014
Equity securities	3,532,240	2,400,120
Others	312,628	—
Less: Impairment losses	(1,501)	—
Total	3,843,367	2,400,120

Current

	As at 31 December	
	2015	2014
Equity securities	19,819,979	12,711,304
Debt securities	1,975,731	5,035,831
Others	9,962	562,771
Less: Impairment losses	(14,511)	—
Total	21,791,161	18,309,906

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(b) Analysed by market:

Non-current

	As at 31 December	
	2015	2014
Shenzhen stock exchange	2,262,040	1,526,620
Shanghai stock exchange	800,000	873,500
Others	782,828	—
Less: Impairment losses	(1,501)	—
Total	3,843,367	2,400,120

Current

	As at 31 December	
	2015	2014
Shenzhen stock exchange	17,505,172	8,990,138
Shanghai stock exchange	3,040,499	4,333,641
Inter-bank market	1,260,001	4,389,356
Others	—	596,771
Less: Impairment losses	(14,511)	—
Total	21,791,161	18,309,906

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

(a) Analysed by type:

	As at 31 December	
	2015	2014
Financial assets designated at fair value through profit or loss:		
— Wealth management products	1,200,000	—
Total	1,200,000	—

(b) Analysed as:

	As at 31 December	
	2015	2014
Financial assets designated at fair value through profit or loss:		
— Unlisted	1,200,000	—
Total	1,200,000	—

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Current

(a) Analysed by type:

	As at 31 December	
	2015	2014
Held for trading:		
– Debt securities	55,945,942	34,486,848
– Equity securities	10,284,934	8,360,220
– Funds	49,917,227	12,186,905
– Wealth management products	13,890,005	965,985
Total	130,038,108	55,999,958

(b) Analysed as:

	As at 31 December	
	2015	2014
Held for trading:		
– Listed outside Hong Kong	33,788,966	24,651,355
– Listed in Hong Kong	1,011,816	421,183
– Unlisted	95,237,326	30,927,420
Total	130,038,108	55,999,958

As at 31 December 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB65,609 thousand and RMB1,049,762 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 35(b) together with the fair value of collaterals of margin financing business.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 REFUNDABLE DEPOSITS

	As at 31 December	
	2015	2014
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	985,032	225,383
– Hong Kong Securities Clearing Company Limited	2,182	–
	987,214	225,383
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	2,540,723	1,884,269
– Shanghai Futures Exchange	1,128,562	898,651
– Dalian Commodity Exchange	700,182	632,014
– Zhengzhou Commodity Exchange	545,313	475,170
	4,914,780	3,890,104
Deposits with other institutions		
– China Securities Finance Corporation Limited	432	311,716
– Shanghai Clearing House	106,298	51,310
– Shanghai Gold Exchange	200	–
– Others financial institutions	376	4,332
	107,306	367,358
Total	6,009,300	4,482,845

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

31 DEFERRED TAXATION

- (a) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the reporting period are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Others	Total
As at 1 January 2015	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)
Recognised in profit or loss	16,610	691,123	(268,414)	354,452	—	(64,793)	728,978
Recognised in reserves	—	—	—	—	(425,739)	(20,153)	(445,892)
As at 31 December 2015	121,050	891,803	(652,761)	576,473	(1,031,065)	(44,710)	(139,210)
As at 1 January 2014	111,384	51,027	110,456	(2,586)	(141,037)	75,817	205,061
Recognised in profit or loss	(6,944)	149,653	(494,803)	224,607	—	(35,581)	(163,068)
Recognised in reserves	—	—	—	—	(464,289)	—	(464,289)
As at 31 December 2014	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)

- (b) Reconciliation to the statements of financial position

	As at 31 December 2015	2014
Net deferred tax assets recognised in the statement of financial position	212,609	178,878
Net deferred tax liabilities recognised in the statement of financial position	(351,819)	(601,174)
Total	(139,210)	(422,296)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

31 DEFERRED TAXATION (continued)

(c) Deferred tax assets not recognised

As at 31 December 2015 and 31 December 2014, in accordance with the accounting policy set out in Note 3(n)(ii), the Group has not recognised unused tax losses of RMB199,383 thousand and RMB24,655 thousand respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

32 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 31 December	
	2015	2014
Leasehold improvements and long-term deferred expenses	78,174	108,854

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

	As at 31 December	
	2015	2014
Balance at beginning of the year	108,854	164,583
Additions	16,979	14,381
Transfer in from property and equipment (Note 20)	7,758	12,602
Amortisation	(55,417)	(82,712)
Balance at end of the year	78,174	108,854

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December	
	2015	2014
Accounts receivable of:		
– Brokers, dealers and clearing house	170,460	244,162
– Fee and commission	148,400	103,487
– Redemption of open-ended fund	132,808	–
– Subscription receivable	111,142	–
– Settlement	12,549	2,642
– Others	48,045	12,760
Less: Provision for impairment losses	(1,850)	(398)
Total	621,554	362,653

(b) Analysed by aging:

As at the end of the reporting period, the aging analysis of accounts receivable, based on the trade date, is as follows:

	As at 31 December	
	2015	2014
Within 1 month	553,304	249,564
1 to 3 months	45,340	110,387
Over 3 months	22,910	2,702
Total	621,554	362,653

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2015	2014
At the beginning of the year	398	55
Charge for the year	1,452	343
Reversal of impairment	–	–
At the end of the year	1,850	398

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 ACCOUNTS RECEIVABLE (continued)

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

34 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 31 December	
	2015	2014
Interest receivable	3,282,484	1,751,677
Other receivables ⁽¹⁾	820,038	530,765
Prepayments	44,766	63,520
Deferred expenses	19,451	32,464
Others	125,776	83,567
Less: Impairment on other receivables and prepayments	(396,297)	(404,773)
Total	3,896,218	2,057,220

(1) The balance of other receivables mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund, and sundry receivables arising from normal course of business.

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2015	2014
At the beginning of the year	404,773	396,656
Charge for the year	11,420	22,714
Recovery of receivables written off in previous years	—	18
Reversal of impairment	(15,405)	(14,615)
Amounts written-off	(4,491)	—
At the end of the year	396,297	404,773

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

35 MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December	
	2015	2014
Individuals	66,261,285	61,180,200
Institutions	1,230,613	3,456,539
Less: Impairment losses	(59,780)	—
Total	67,432,118	64,636,739

As at 31 December 2015 and 31 December 2014, the amount of margin accounts receivable which the Group transfers to the securitisation vehicle is RMB511,833 thousand and nil, respectively, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors with the purchased assets as the underlying assets.

(b) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	As at 31 December	
	2015	2014
Fair value of collaterals:		
— Equity securities	206,477,323	154,450,637
— Cash	18,461,809	9,829,634
— Funds	724,255	1,852,966
— Debt securities	29,076	69,168
Total	225,692,463	166,202,405

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2015		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	25,710,000	27,514	(170,496)
– Treasury futures	–	–	–
– Interest rate swap	25,710,000	27,514	(170,496)
Currency derivatives	451,539	5,301	(4,418)
– Currency swaps	451,539	5,301	(4,418)
Equity derivatives	22,873,944	298,525	(1,069,260)
– Stock index futures	298,514	–	(6,240)
– Equity return swaps	6,460,570	134,314	(1,023,191)
– Exchange-traded options	679,917	7,626	(39,534)
– Over-the-counter options	15,434,943	156,585	(295)
Credit derivatives	292,198	3,410	(3,250)
– Credit default swaps	292,198	3,410	(3,250)
Others	15,514,408	–	(1,304,602)
– Forward contracts	15,451,525	–	(1,304,415)
– Commodity futures	62,883	–	(187)
Total	<u>64,842,089</u>	334,750	(2,552,026)
Less: settlement		–	91,681
Net position		334,750	(2,460,345)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2014		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	14,914,052	71,474	(49,250)
– Treasury futures	57,933	–	(90)
– Interest rate swap contracts	14,856,119	71,474	(49,160)
Equity derivatives	10,820,956	3,482	(911,738)
– Stock index futures	6,768,393	–	(230,155)
– Equity return swaps	3,941,640	3,407	(681,564)
– Exchange-traded options	10,923	75	(19)
– Over-the-counter options	100,000	–	–
Others	249,871	4,602	–
– Commodity futures	249,871	4,602	–
Total	<u>25,984,879</u>	79,558	(960,988)
Less: settlement		(58,743)	230,245
Net position		<u>20,815</u>	<u>(730,743)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures traded through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 31 December 2015 and 31 December 2014.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2015	2014
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	2,549,050	540,747
– Hong Kong Securities Clearing Company Limited	2,070	3,508
Deposits with other institutions	583	–
Total	2,551,703	544,255

38 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

39 CASH AND BANK BALANCES

	As at 31 December	
	2015	2014
Cash on hand	334	542
Bank balances	36,706,281	36,001,085
Total	36,706,615	36,001,627

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
Cash on hand	334	542
Bank balances	36,706,281	36,001,085
Clearing settlement funds	2,551,703	544,255
Financial assets held under resale agreements within 3 months	1,972,501	2,889,578
Less: restricted bank deposits	(22,635,060)	(7,551,576)
Total	18,595,759	31,883,884

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, bank loan guarantees, forfeit guarantees and risk reserve deposits.

41 SHORT-TERM BANK LOANS

	As at 31 December	
	2015	2014
Collateralised loans	688,322	—

As at 31 December 2015, the interest rates on the short-term loans were in the range of 2.06% to 2.49%.

42 SHORT-TERM DEBT INSTRUMENTS ISSUED

	Nominal interest rate	Book value as at		Book value as at	
		1 January 2015	Issuance	Redemption	31 December 2015
Short-term commercial papers ⁽¹⁾	4.15%–5.20%	8,500,000	11,000,000	(19,500,000)	—
Short-term corporate bonds ⁽²⁾	6.00%	7,000,000	—	(7,000,000)	—
Short-term subordinated bonds ⁽³⁾	5.10%–5.95%	7,000,000	—	(7,000,000)	—
Structured notes ⁽⁴⁾	5.20%–6.03%	2,287,070	14,180,580	(15,414,646)	1,053,004
Total		24,787,070	25,180,580	(48,914,646)	1,053,004

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 SHORT-TERM DEBT INSTRUMENTS ISSUED (continued)

	Nominal interest rate	Book value as at		Book value as at	
		1 January 2014	Issuance	Redemption	31 December 2014
Short-term commercial papers ⁽¹⁾	4.15%–6.35%	8,000,000	35,300,000	(34,800,000)	8,500,000
Short-term corporate bonds ⁽²⁾	6.00%	—	7,000,000	—	7,000,000
Short-term subordinated bonds ⁽³⁾	5.10%–5.95%	—	7,000,000	—	7,000,000
Structured notes ⁽⁴⁾	5.50%–9.00%	—	2,320,070	(33,000)	2,287,070
Total		8,000,000	51,620,070	(34,833,000)	24,787,070

(1) As approved by PBOC pursuant to the Approval for the Issuance of Short-term Commercial Papers by Huatai Securities Co., Ltd. (Yin Fa [2015] No. 269), the Company has been entitled to issue short-term commercial papers within the balance of RMB11.8 billion. The approval is valid within 1 year.

(2) As approved by CSRC pursuant to the Approval for the Issuance of Short-term Corporate Bonds by Huatai Securities Co., Ltd., the Company has issued one tranche of short-term corporate bond in 2014, bearing interest at 6% per annum, repayable within 1 year. As at 31 December 2015, the short-term corporate bond has matured.

(3) As approved by the Board, the Company has been entitled to issue subordinated bonds. Subordinated bonds repayable more than 1 year are disclosed in Note 51.

(4) In 2015, the Company has issued 57 tranches of structured notes, bearing interest ranging from 5.20% to 6.03% per annum, repayable within 1 year.

43 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	Note	As at 31 December	
		2015	2014
Interbank lending	(1)	3,000,000	—
Placements from China Securities Finance Co., Ltd.		—	1,500,000
Total		3,000,000	1,500,000

(1) As at 31 December 2015, the interbank lendings are unsecured and bear interest from the range of 2.15% to 2.70% per annum, with maturities within 6 days.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2015	2014
Clients' deposits for margin financing and securities lending	18,637,027	9,829,634
Clients' deposits for other brokerage business	109,730,352	60,398,771
Total	128,367,379	70,228,405

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

45 EMPLOYEE BENEFITS PAYABLE

Non-current

	As at 31 December 2015			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	705,434	3,229,820	(568,633)	3,366,621
Total	705,434	3,229,820	(568,633)	3,366,621

	As at 31 December 2014			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	318,868	555,303	(168,737)	705,434
Total	318,868	555,303	(168,737)	705,434

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 EMPLOYEE BENEFITS PAYABLE (continued)

Current

	As at 31 December 2015			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	1,725,382	4,478,881	(3,416,071)	2,788,192
Contribution to pension schemes	3,981	133,689	(137,532)	138
Other social welfare	11,234	298,802	(290,579)	19,457
Total	1,740,597	4,911,372	(3,844,182)	2,807,787

	As at 31 December 2014			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	763,812	2,957,033	(1,995,463)	1,725,382
Contribution to pension schemes	1,054	128,050	(125,123)	3,981
Other social welfare	9,124	234,671	(232,561)	11,234
Total	773,990	3,319,754	(2,353,147)	1,740,597

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
Payables to interest holders of consolidated structured entities	85,761,379	49,903,536
Payable to open-ended funds	3,546,983	2,409,018
Payable for equity return swaps	3,408,998	920,482
Interest payable	2,692,345	1,025,327
Payable for office building construction	881,348	681,766
Business tax and other tax payable	507,656	1,071,259
Payable for asset-backed securities asset management schemes ⁽¹⁾	475,000	—
Dividend to be converted to the investment capital of consolidated structured entities	308,238	236,682
Fee and commission	185,990	—
Payable for commodity trading	140,755	—
Payable to brokerage agents	139,936	24,572
Settlement payables	132,137	36,639
Futures risk reserve	92,132	80,169
Payable to the securities investor protection fund	58,952	39,182
Others ⁽²⁾	988,213	373,687
Total	99,320,062	56,802,319

(1) The fund amounting to RMB475,000 thousand raised by the securitisation vehicle, which is consolidated by the Group, is recognised as a financial liability.

(2) The balance of others mainly represents payable to the joint bonds underwriters, IPO cost payable, and sundry payables arising from normal course of business.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

47 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2015	2014
Margin loans receivable — backed repurchase	10,800,000	5,000,000
Total	10,800,000	5,000,000

Current

	As at 31 December	
	2015	2014
Debt securities	14,492,019	9,542,128
Margin loans receivable — backed repurchase	6,900,000	35,116,100
Securities-backed lending repurchase	1,000,000	—
Others	—	10,000
Total	22,392,019	44,668,228

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

47 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

(b) Analysed by market:

Non-current

	As at 31 December	
	2015	2014
Others	10,800,000	5,000,000
Total	10,800,000	5,000,000

Current

	As at 31 December	
	2015	2014
Inter-bank market	7,567,719	4,647,528
Shanghai stock exchange	6,924,300	4,794,600
Shenzhen stock exchange	—	100,000
Others	7,900,000	35,126,100
Total	22,392,019	44,668,228

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2015	2014
Financial liabilities designated at fair value through profit or loss	6,948,454	—
Total	6,948,454	—

Current

	As at 31 December	
	2015	2014
Financial liabilities held for trading	14,417,818	9,245
Financial liabilities designated at fair value through profit or loss	62,020	—
Total	14,479,838	9,245

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private funds.

49 LONG-TERM BANK LOANS DUE WITHIN ONE YEAR

As at 31 December 2015 and 31 December 2014, the long-term bank loans due within one year were secured as follows:

	As at 31 December	
	2015	2014
Secured bank loans	125,000	—

The long-term bank loans repayable more than one year were disclosed in Note 52.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

50 LONG-TERM BONDS DUE WITHIN ONE YEAR

As at 31 December 2015

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
14 HUATAI 02	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%

Name	Book value as at 1 January 2015 RMB equivalent	Increase RMB equivalent	Amount of amortization RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2015 RMB equivalent
14 HUATAI 02	—	2,995,236	2,942	—	2,998,178

As approved by the Board, the Company has issued 2-year subordinated bond with a nominal amount of RMB3 billion on 18 April 2014. As at 31 December 2015, the subordinated bond would mature in one year.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 LONG-TERM BONDS

As at 31 December 2015

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02 ⁽²⁾	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03 ⁽³⁾	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04 ⁽³⁾	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910 ⁽⁴⁾	US\$400,000	08/10/2014	08/10/2019	US\$399,665	3.625%
15 HUATAI 01 ⁽⁵⁾	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02 ⁽⁶⁾	RMB7,000,000	20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 03 ⁽⁶⁾	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI 04 ⁽⁷⁾	RMB18,000,000	25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAI G1 ⁽⁸⁾	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
15 HUATAIQI ⁽⁹⁾	RMB600,000	22/07/2015	22/07/2019	RMB600,000	5.80%
Structured Notes ⁽¹⁰⁾	RMB9,900,000	Note (10)	Note (10)	RMB9,900,000	5.50%–5.60%

Name	Book value as at 1 January 2015	Increase	Amount of amortization	Decrease	Book value as at 31 December 2015
	RMB equivalent				RMB equivalent
13 HUATAI 01 ⁽¹⁾	3,994,117	—	1,559	—	3,995,676
13 HUATAI 02 ⁽¹⁾	5,988,198	—	1,784	—	5,989,982
14 HUATAI 02 ⁽²⁾	2,992,295	—	2,941	(2,995,236)	—
14 HUATAI 03 ⁽³⁾	2,000,000	—	—	(2,000,000)	—
14 HUATAI 04 ⁽³⁾	4,000,000	—	—	—	4,000,000
HUATAI B1910 ⁽⁴⁾	2,370,714	208,615	1,969	—	2,581,298
15 HUATAI 01 ⁽⁵⁾	—	6,000,000	—	—	6,000,000
15 HUATAI 02 ⁽⁶⁾	—	7,000,000	—	—	7,000,000
15 HUATAI 03 ⁽⁶⁾	—	5,000,000	—	—	5,000,000
15 HUATAI 04 ⁽⁷⁾	—	18,000,000	—	—	18,000,000
15 HUATAI G1 ⁽⁸⁾	—	6,590,000	1,599	—	6,591,599
15 HUATAIQI ⁽⁹⁾	—	615,445	—	—	615,445
Structured Notes ⁽¹⁰⁾	—	9,900,000	—	(300,000)	9,600,000
Total	21,345,324	53,314,060	9,852	(5,295,236)	69,374,000

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 LONG-TERM BONDS (continued)

As at 31 December 2014

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02 ⁽²⁾	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03 ⁽³⁾	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04 ⁽³⁾	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910 ⁽⁴⁾	US\$390,000	08/10/2014	08/10/2019	US\$389,665	3.625%

Name	Book value as at 1 January 2014 RMB equivalent	Increase RMB equivalent	Amount of amortization RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2014 RMB equivalent
13 HUATAI 01 ⁽¹⁾	3,992,473	—	1,644	—	3,994,117
13 HUATAI 02 ⁽¹⁾	5,987,631	—	567	—	5,988,198
14 HUATAI 02 ⁽²⁾	—	2,988,375	3,920	—	2,992,295
14 HUATAI 03 ⁽³⁾	—	2,000,000	—	—	2,000,000
14 HUATAI 04 ⁽³⁾	—	4,000,000	—	—	4,000,000
HUATAI B1910 ⁽⁴⁾	—	2,369,976	738	—	2,370,714
Total	9,980,104	11,358,351	6,869	—	21,345,324

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 LONG-TERM BONDS (continued)

- (1) As approved by CSRC, the Company has issued 5-year corporate bond with a nominal amount of RMB4 billion and a 10-year corporate bond with a nominal amount of RMB6 billion on 5 June 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on 17 July 2013.
- (2) As approved by the Board, the Company has issued a 2-year subordinated bond with a nominal amount of RMB3 billion on 18 April 2014. As at 31 December 2015, the subordinated bond due within one year was disclosed in Note 50.
- (3) As approved by the Board, the Company has issued a 3-year subordinated bond with a nominal amount of RMB2 billion and a 4-year subordinated bond with a nominal amount of RMB4 billion on 26 September 2014. The Company has the option to redeem the 3-year subordinated bond at the end of the first year since its issuance and redeem the 4-year subordinated bond at the end of the second year since its issuance. The Company redeemed the 3-year subordinated bond with a nominal amount of RMB2 billion on 29 September 2015.
- (4) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a nominal amount of USD0.4 billion on 8 October 2014 which the Group holds USD0.01 billion bond as at 31 December 2014. Such USD0.01 billion bond was disposed in March 2015. The bond was guaranteed by the Bank of China Limited. The Company has provided counter-guarantee to the Bank of China Limited.
- (5) As approved by the Board, the Company has issued a 2-year subordinated bond with a nominal amount of RMB6 billion on 22 January 2015.
- (6) As approved by the Board, the Company has issued a 2-year subordinated bond with a nominal amount of RMB7 billion and a 5-year subordinated bond with a nominal amount of RMB5 billion on 20 April 2015.
- (7) As approved by the Board, the Company has issued a 2-year subordinated bond with a nominal amount of RMB18 billion on 25 June 2015.
- (8) As approved by the CSRC, the Company has issued a 3-year corporate bond with a nominal amount of RMB6.6 billion on 29 June 2015.
- (9) As approved by the Board of Huatai Futures Co., Ltd., Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 22 July 2015.
- (10) In 2015, the Company has issued 11 tranches of structured notes with a nominal amount of RMB9.9 billion, bearing interest ranging from 5.50% to 5.60% per annum, repayable more than 1 year.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

52 LONG-TERM BANK LOANS

As at 31 December 2015 and 31 December 2014, the long-term bank loans were secured as follows:

	As at 31 December	
	2015	2014
Secured bank loans	359,985	138,658

At 31 December 2015, the banking facility of the Company was secured by mortgage over its land. Such banking facilities amounted to RMB500,000 thousand. The facilities were utilized to the extent of RMB484,985 thousand, bearing interest at 4.75% per annum. The amount of long-term borrowings due within one year was RMB125,000 thousand. Long-term bank loans due within one year are disclosed in Note 49.

53 OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2015	2014
Payables to interest holders of consolidated structured entities	—	843,786
Payable for equity return swaps	—	822,000
Total	—	1,665,786

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 SHARE CAPITAL, RESERVES AND RETAINED PROFITS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Reserves						Retained profits	Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve		
As at 1 January 2015		5,600,000	17,125,163	1,692,854	3,597,616	1,739,345	3,113	7,327,694	37,085,785
Changes in equity for 2015									
Profit for the year		—	—	—	—	—	—	9,145,222	9,145,222
Other comprehensive income		—	—	—	—	986,360	12,896	—	999,256
Total comprehensive income		—	—	—	—	986,360	12,896	9,145,222	10,144,478
Issuance of H shares		1,562,769	28,452,285	—	—	—	—	—	30,015,054
Appropriation to surplus reserve		—	—	914,522	—	—	—	(914,522)	—
Appropriation to general reserve		—	—	—	1,829,045	—	—	(1,829,045)	—
Dividends declared for the year		—	—	—	—	—	—	(2,800,000)	(2,800,000)
As at 31 December 2015	62	7,162,769	45,577,448	2,607,376	5,426,661	2,725,705	16,009	10,929,349	74,445,317

	Note	Reserves						Retained profits	Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve		
As at 1 January 2014		5,600,000	17,123,274	1,302,767	2,817,442	247,278	—	5,437,086	32,527,847
Changes in equity for 2014									
Profit for the year		—	—	—	—	—	—	3,900,869	3,900,869
Other comprehensive income		—	—	—	—	1,492,067	3,113	—	1,495,180
Total comprehensive income		—	—	—	—	1,492,067	3,113	3,900,869	5,396,049
Appropriation to surplus reserve		—	—	390,087	—	—	—	(390,087)	—
Appropriation to general reserve		—	—	—	780,174	—	—	(780,174)	—
Dividends declared for the year		—	—	—	—	—	—	(840,000)	(840,000)
Other		—	1,889	—	—	—	—	—	1,889
As at 31 December 2014	62	5,600,000	17,125,163	1,692,854	3,597,616	1,739,345	3,113	7,327,694	37,085,785

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 SHARE CAPITAL, RESERVES AND RETAINED PROFITS (continued)

(b) Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2015		As at 31 December 2014	
	Number of shares (Thousand)	Nominal value	Number of shares (Thousand)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	5,443,723	5,443,723	5,600,000	5,600,000
H shares of RMB1 each	1,719,046	1,719,046	—	—
Total	7,162,769	7,162,769	5,600,000	5,600,000

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholder of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

The H shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 SHARE CAPITAL, RESERVES AND RETAINED PROFITS (continued)

(c) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 1 June 2015. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB28,590,928 thousand was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB441,058 thousand.

(d) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(e) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 SHARE CAPITAL, RESERVES AND RETAINED PROFITS (continued)

(f) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

(g) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

(h) Dividends

Pursuant to the resolution of the general meeting of the shareholders dated 30 March 2015, the Company was approved to distribute cash dividends of RMB5.00 (tax inclusive) per 10 A Shares to our existing holders of A Shares, with total cash dividends amounting to RMB2,800,000 thousand.

55 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2015 and 31 December 2014 not provided for in the financial statements were as follows:

	As at 31 December	
	2015	2014
Contracted, but not provided for	685,483	2,428,227

The above-mentioned capital commitments mainly represent the construction of properties of the Group.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 COMMITMENTS (continued)

(b) Operating lease commitments

As at 31 December 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2015	2014
Within 1 year (inclusive)	193,132	182,742
1–2 years (inclusive)	139,112	124,132
2–3 years (inclusive)	87,255	67,273
After 3 years	70,516	42,887
Total	490,015	417,034

56 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager or investment consultant and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2015 and 31 December 2014, the Group consolidates 36 and 20 structured entities respectively, which are mainly asset management schemes. As at 31 December 2015 and 31 December 2014, the total assets of the consolidated structured entities are RMB93,767,004 thousand and RMB55,318,894 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RM5,816,381 thousand and RMB3,746,451 thousand respectively, which are accounted for as available-for-sale financial assets and financial assets at fair value through profit or loss.

Interests held by other investors in these consolidated structured entities were classified as net investment gains, interest income, or interest expenses of the consolidated income statements, and financial liabilities designated at fair value through profit or loss or other current liabilities and accrued expense of the consolidated statements of financial position.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 INTERESTS IN STRUCTURED ENTITIES (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2015 and 31 December 2014, which are listed as below:

	As at 31 December 2015		
	Financial assets		Total
	Available- for-sale financial assets	at fair value through profit or loss	
Funds	257,441	49,917,227	50,174,668
Asset management schemes	309,609	—	309,609
Trust schemes	71,424	697,912	769,336
Wealth management products	15,418,101	14,392,093	29,810,194
Total	16,056,575	65,007,232	81,063,807

	As at 31 December 2014		
	Financial assets		Total
	Available- for-sale financial assets	at fair value through profit or loss	
Funds	342,430	12,186,905	12,529,335
Asset management schemes	40,000	—	40,000
Trust schemes	1,391,787	—	1,391,787
Wealth management products	1,667,688	746,977	2,414,665
Total	3,441,905	12,933,882	16,375,787

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 INTERESTS IN STRUCTURED ENTITIES (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 56(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2015 and 31 December 2014, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB551,860,637 thousand and RMB298,342,110 thousand respectively.

During the years ended 31 December 2015 and 31 December 2014, income derived from these unconsolidated structured entities held by the Group amounted to RMB337,287 thousand and RMB198,704 thousand respectively.

57 OUTSTANDING LITIGATIONS

As at 31 December 2015 and 31 December 2014, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB3,542 thousand and RMB2,355 thousand, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 58(b)(i).

(ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

(iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Supervisory Committee and senior management, and close family members of such individuals.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 31 December	
	2015	2014
Balances at the end of the year:		
Accounts payable to brokerage clients		
— Jiangsu Guoxin Investment Group Limited	171	171
— Jiangsu Communications Holding Company Limited	11	3
— Govtor Capital Group Co., Ltd.	3	—
Financial assets at fair value through profit or loss		
— Jiangsu Guoxin Investment Group Limited	63,474	—
— Jiangsu Communications Holding Company Limited	349,863	—
Other receivables and prepayments		
— Jiangsu Guoxin Investment Group Limited	2,343	—
— Jiangsu Communications Holding Company Limited	3,946	—
Other payables and accruals		
— Jiangsu Guoxin Investment Group Limited	3,211	3,211

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related parties transactions and balances (continued)

(i) Transactions between the Group and major shareholders (continued):

	Year ended 31 December	
	2015	2014
Transactions during the year:		
Fee and commission income		
— Jiangsu Guoxin Investment Group Limited	10,884	948
— Jiangsu Communications Holding Company Limited	18	—
— Govtor Capital Group Co., Ltd.	32	441
— Jiangsu SOHO Holdings Group Co., Ltd.	165	336
Net investment gains		
— Jiangsu Guoxin Investment Group Limited	4,734	—
— Jiangsu Communications Holding Company Limited	3,973	—
Other operating expenses		
— Jiangsu Guoxin Investment Group Limited	—	2,275

For the year ended 31 December 2015 and 31 December 2014, Govtor Capital Group Co., Ltd. has invested targeted asset management schemes managed by the Group amounting to nil and RMB154,000 thousand, respectively.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related parties transactions and balances (continued)

(ii) Transactions between the Group and associates:

	As at 31 December	
	2015	2014
Balances at the end of the year:		
Available-for-sale financial assets		
– China Southern Asset Management Co., Ltd.	18,934	5,004
– Huatai-PineBridge Fund Management Co., Ltd.	–	31,591
Financial assets at fair value through profit or loss		
– China Southern Asset Management Co., Ltd.	1,188,319	1,177,698
– Huatai-PineBridge Fund Management Co., Ltd.	211,776	1,223,113
Accounts receivable		
– China Southern Asset Management Co., Ltd.	4,028	8,931
– Huatai-PineBridge Fund Management Co., Ltd.	5,491	5,203
Accounts payable to brokerage clients		
– China Southern Asset Management Co., Ltd.	19	11
– Huatai-PineBridge Fund Management Co., Ltd.	12,399	3

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related parties transactions and balances (continued)

(ii) Transactions between the Group and associates (continued):

	Year ended 31 December	
	2015	2014
Transactions during the year:		
Fee and commission income		
– China Southern Asset Management Co., Ltd.	43,951	17,044
– Huatai-PineBridge Fund Management Co., Ltd.	47,945	9,385
– Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	40,000	40,000
Net investment gains		
– China Southern Asset Management Co., Ltd.	161,283	82,285
– Huatai-PineBridge Fund Management Co., Ltd.	230,046	102,243
Other income and gains		
– China Southern Asset Management Co., Ltd.	1,104	1,104
– Huatai-PineBridge Fund Management Co., Ltd.	100	—

For the year ended 31 December 2015 and 31 December 2014, Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) has invested collective asset management schemes managed by the Group amounting to RMB402,972 thousand and nil, respectively.

During the year of 2015 and 2014, the capital injection made by the Group into the associates is RMB394,000 thousand and RMB67,500 thousand, respectively.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	Year ended 31 December	
	2015	2014
Short-term employee benefits		
– Fees, salaries, allowances and bonuses	22,595	39,138
Post-employment benefits		
– Contribution to pension scheme	505	453
Total	23,100	39,591

Total remuneration is included in “staff costs” (see Note 11).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions set out in Note 58(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 SEGMENT REPORTING

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities lending, securities-backed lending, stock repurchases and sell financial products are included in this segment.
- Investment banking segment provides investment banking services to the Group's corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.
- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through wholly-owned subsidiaries.
- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, commodities and other financial products for own account for the objective of achieving investment income, developing and issuing Over-the Counter("OTC") financial products, and trading with counterparties over the counter.
- Overseas business and others segment includes the overseas business of Hong Kong subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the year ended 31 December 2015

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
– External	28,568,744	1,897,040	2,540,445	4,483,426	1,361,655	38,851,310
– Inter-segment	4,463	–	–	(1,189)	145,242	148,516
Other income and gains	93,160	10,558	(34,587)	39,090	464,018	572,239
Segment revenue and other income	28,666,367	1,907,598	2,505,858	4,521,327	1,970,915	39,572,065
Segment expenses	(16,490,926)	(1,261,818)	(852,766)	(1,573,213)	(5,399,064)	(25,577,787)
Segment operating profit/(loss)	12,175,441	645,780	1,653,092	2,948,114	(3,428,149)	13,994,278
Share of profit of associates	–	1,737	(9,925)	–	428,264	420,076
Profit/(loss) before income tax	12,175,441	647,517	1,643,167	2,948,114	(2,999,885)	14,414,354
Interest income	10,611,162	155,603	476,748	35,721	614,448	11,893,682
Interest expenses	(5,204,928)	–	(127,553)	(869,500)	(1,610,210)	(7,812,191)
Depreciation and amortisation	(126,535)	(9,316)	(1,668)	(6,789)	(188,444)	(332,752)
(Provision for)/reversal impairment losses	(86,310)	15,389	(642)	(1,696)	–	(73,259)
Segment assets	225,408,327	3,927,545	111,375,630	66,913,968	156,018,416	563,643,886
Additions to non-current segment assets during the year	96,510	8,412	4,387	7,251	922,797	1,039,357
Segment liabilities	223,363,304	1,309,546	102,015,328	64,907,119	90,519,818	482,115,115

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the year ended 31 December 2014

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
– External	10,253,597	1,389,262	1,373,880	2,229,855	410,275	15,656,869
– Inter-segment	1,022	–	–	–	8,879	9,901
Other income and gains	68,127	42,156	2,330	191,559	17,444	321,616
Segment revenue and other income	10,322,746	1,431,418	1,376,210	2,421,414	436,598	15,988,386
Segment expenses	(5,776,414)	(981,189)	(300,531)	(1,056,927)	(2,234,621)	(10,349,682)
Segment operating profit/(loss)	4,546,332	450,229	1,075,679	1,364,487	(1,798,023)	5,638,704
Share of profit of associates	–	551	(4,043)	–	288,483	284,991
Profit/(loss) before income tax	4,546,332	450,780	1,071,636	1,364,487	(1,509,540)	5,923,695
Interest income	3,676,933	130,545	790,605	40,188	212,534	4,850,805
Interest expenses	(847,751)	–	(72,209)	(618,142)	(927,893)	(2,465,995)
Depreciation and amortisation	(159,000)	(19,022)	(3,203)	(2,983)	(128,123)	(312,331)
(Provision for)/reversal of impairment losses	(18,061)	6,447	–	(1,045)	(5,032)	(17,691)
Segment assets	151,991,707	3,911,596	60,855,372	31,038,255	70,882,123	318,679,053
Additions to non-current segment assets during the year	58,350	5,253	10,565	6,673	1,258,695	1,339,536
Segment liabilities	(148,246,433)	(899,628)	(55,390,532)	(28,640,444)	(43,557,608)	(276,734,645)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 SEGMENT REPORTING (continued)

(a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	Year ended 31 December	
	2015	2014
Revenue		
Total revenue and other income for segments	39,572,065	15,988,386
Elimination of inter-segment revenue	(156,540)	(9,901)
Consolidated revenue and other income	39,415,525	15,978,485
Profit		
Total profit before income tax for segments	14,414,354	5,923,695
Elimination of inter-segment profit	(150,857)	(8,879)
Consolidated profit before income tax	14,263,497	5,914,816
As at 31 December		
Assets		
Total assets for segments	563,643,886	318,679,053
Elimination of inter-segment assets	(111,029,271)	(46,453,017)
Consolidated total assets	452,614,615	272,226,036
Liabilities		
Total liabilities for segments	(482,115,115)	(276,734,645)
Elimination of inter-segment liabilities	111,029,271	46,453,017
Consolidated total liabilities	(371,085,844)	(230,281,628)

For the year ended 31 December 2015 and 31 December 2014, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 SEGMENT REPORTING (continued)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates.

	Year ended 31 December 2015			Year ended 31 December 2014		
	Mainland		Total	Mainland		Total
	China	Hong Kong		China	Hong Kong	
Segment Revenue						
Revenue from external customers	38,494,057	357,253	38,851,310	15,498,573	158,296	15,656,869
Other income and gains	587,634	(23,419)	564,215	320,538	1,078	321,616
Total	39,081,691	333,834	39,415,525	15,819,111	159,374	15,978,485

	As at 31 December 2015			As at 31 December 2014		
	Mainland		Total	Mainland		Total
	China	Hong Kong		China	Hong Kong	
Specified non-current assets						
	7,627,752	14,422	7,642,174	6,398,136	15,426	6,413,562

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) counterparty credit risk from a counterparty's default on the OTC derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives; (iv) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business; and (v) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of assets losses caused by counterparty defaults.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2015	2014
Held-to-maturity investments	5,000	5,000
Refundable deposits	6,009,300	4,482,845
Accounts receivable	621,554	362,653
Other receivables and prepayments	3,734,670	1,903,782
Margin accounts receivable	67,432,118	64,636,739
Available-for-sale financial assets	445,105	399,207
Financial assets held under resale agreements	25,634,528	20,710,026
Financial assets at fair value through profit or loss	56,011,551	35,536,610
Derivative financial assets	334,750	20,815
Clearing settlement funds	2,551,703	544,255
Cash held on behalf of brokerage clients	131,944,524	71,536,310
Bank balances	36,706,281	36,001,085
Total maximum credit risk exposure	331,431,084	236,139,327

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2015			
Held-to-maturity investments	5,000	—	5,000
Refundable deposits	6,007,118	2,182	6,009,300
Accounts receivable	393,262	228,292	621,554
Other receivables and prepayments	3,730,707	3,963	3,734,670
Margin accounts receivable	67,352,032	80,086	67,432,118
Available-for-sale financial assets	408,580	36,525	445,105
Financial assets held under resale agreements	25,634,528	—	25,634,528
Financial assets at fair value through profit or loss	55,000,741	1,010,810	56,011,551
Derivative financial assets	325,997	8,753	334,750
Clearing settlement funds	2,549,633	2,070	2,551,703
Cash held on behalf of brokerage clients	131,313,767	630,757	131,944,524
Bank balances	34,127,174	2,579,107	36,706,281
Total maximum credit risk exposure	326,848,539	4,582,545	331,431,084

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

	By geographical area			Total
	Mainland	Outside		
	China	Mainland China		
31 December 2014				
Held-to-maturity investments	5,000	—		5,000
Refundable deposits	4,482,818	27		4,482,845
Accounts receivable	113,089	249,564		362,653
Other receivables and prepayments	1,894,084	9,698		1,903,782
Margin accounts receivable	64,497,968	138,771		64,636,739
Available-for-sale financial assets	399,207	—		399,207
Financial assets held under resale agreements	20,710,026	—		20,710,026
Financial assets at fair value through profit or loss	34,935,373	601,237		35,536,610
Derivative financial assets	17,333	3,482		20,815
Clearing settlement funds	540,747	3,508		544,255
Cash held on behalf of brokerage clients	71,142,604	393,706		71,536,310
Bank balances	33,681,604	2,319,481		36,001,085
Total maximum credit risk exposure	232,419,853	3,719,474		236,139,327

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	As at 31 December	
	2015	2014
Rating		
– AAA	5,694,204	6,043,043
– From A to AA+	23,828,562	22,087,557
– A-1	4,309,946	2,372,397
Sub-total	33,832,712	30,502,997
Non-rated ⁽¹⁾	22,560,807	4,380,192
Total	56,393,519	34,883,189

(1) Non-rated financial assets mainly represent debts instruments issued by the Ministry of Finance of the People's Republic of China, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Financial liabilities	As at 31 December 2015								Total
	Carrying amount	Overdue/repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	
Short-term bank loans	688,322	—	—	—	704,008	—	—	—	704,008
Short-term debt instruments issued	1,053,004	—	—	585,158	529,750	—	—	—	1,114,908
Placements from other financial institutions	3,000,000	—	3,001,489	—	—	—	—	—	3,001,489
Accounts payable to brokerage clients	128,367,379	128,367,379	—	—	—	—	—	—	128,367,379
Other payables and accruals	96,019,269	94,451,623	138,600	—	1,452,321	—	—	—	96,042,544
Financial assets sold under repurchase agreements	33,192,019	—	15,905,050	263,438	7,151,393	10,893,123	—	—	34,213,004
Derivative financial liabilities	2,460,345	—	132,190	1,193,011	868,367	266,777	—	—	2,460,345
Financial liabilities at fair value through profit or loss	21,428,292	62,020	45,005	11,216,011	3,693,402	—	6,948,454	113	21,965,005
Long-term bonds	72,372,178	—	354,000	—	6,344,650	74,477,981	6,612,000	—	87,788,631
Long-term bank loans	484,985	—	1,957	75,196	76,725	380,269	—	—	534,147
Total	359,065,793	222,881,022	19,578,291	13,332,814	20,820,616	86,018,150	13,560,454	113	376,191,460

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Financial liabilities	As at 31 December 2014								Total
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	
Short-term debt instruments issued	24,787,070	—	6,022,077	5,802,138	15,244,840	—	—	—	27,069,055
Placements from other financial institutions	1,500,000	—	—	1,286,653	257,330	—	—	—	1,543,983
Accounts payable to brokerage clients	70,228,405	70,228,405	—	—	—	—	—	—	70,228,405
Other payables and accruals	56,339,395	52,991,598	48,052	107,547	1,526,411	822,000	843,787	—	56,339,395
Financial assets sold under repurchase agreements	49,668,228	—	9,661,347	5,833,954	30,801,878	5,542,998	—	—	51,840,177
Derivative financial liabilities	730,743	—	—	104,096	106,093	520,554	—	—	730,743
Financial liabilities at fair value through profit or loss	9,245	—	—	—	—	—	—	9,245	9,245
Long-term bonds	21,345,324	—	93,036	186,071	837,319	15,919,120	7,045,500	—	24,081,046
Long-term bank loans	138,658	—	692	1,386	6,240	142,830	—	—	151,148
Total	224,747,068	123,220,003	15,825,204	13,321,845	48,780,111	22,947,502	7,889,287	9,245	231,993,197

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

Financial assets	As at 31 December 2015						Total
	More than 1 month		More than 3 months		More than 1 year but less than 5 years		
	Less than 1 month	but less than 3 months	but less than 1 year	less than 5 years	More than 5 years	Non interest- bearing	
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	814,696	5,612	270,056	236,056	—	36,792,301	38,118,721
Financial assets held under resale agreements	3,989,198	3,147,469	14,654,493	3,843,368	—	—	25,634,528
Refundable deposits	2,148,189	—	—	—	—	3,861,111	6,009,300
Accounts receivable	—	—	—	—	—	621,554	621,554
Other receivables and prepayments	—	—	—	—	—	452,186	452,186
Margin accounts receivable	2,099,878	4,642,393	59,318,039	1,371,808	—	—	67,432,118
Financial assets at fair value through profit or loss	62,971,064	4,767,098	14,371,504	23,268,937	10,415,364	15,444,141	131,238,108
Derivative financial assets	1,832	25,681	555	—	—	306,682	334,750
Clearing settlement funds	2,551,703	—	—	—	—	—	2,551,703
Cash held on behalf of brokerage clients	131,902,039	42,485	—	—	—	—	131,944,524
Cash and bank balances	14,170,603	5,375,000	17,160,678	—	—	334	36,706,615
Total	220,649,202	18,005,738	105,775,325	28,725,169	10,415,364	57,478,309	441,049,107

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Financial liabilities	As at 31 December 2015						Total
		More than 1 month Less than 1 month	More than 3 months but less than 3 months	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
		1 month	3 months	than 1 year	5 years	5 years	
Short-term bank loans	—	—	(688,322)	—	—	—	(688,322)
Short-term debt instruments issued	—	(553,004)	(500,000)	—	—	—	(1,053,004)
Placements from other financial institutions	(3,000,000)	—	—	—	—	—	(3,000,000)
Accounts payable to brokerage clients	(128,367,379)	—	—	—	—	—	(128,367,379)
Other payables and accruals	—	—	(475,000)	—	—	(95,544,269)	(96,019,269)
Financial assets sold under repurchase agreements	(15,892,019)	—	(6,500,000)	(10,800,000)	—	—	(33,192,019)
Derivative financial liabilities	(6,283)	(78,959)	—	—	—	(2,375,103)	(2,460,345)
Financial liabilities at fair value through profit or loss	(43,235)	(10,808,710)	(3,565,760)	—	—	(7,010,587)	(21,428,292)
Long-term bonds	—	—	(2,998,178)	(63,384,019)	(5,989,981)	—	(72,372,178)
Long-term bank loans	—	(62,500)	(62,500)	(359,985)	—	—	(484,985)
Total	(147,308,916)	(11,503,173)	(14,789,760)	(74,544,004)	(5,989,981)	(104,929,959)	(359,065,793)
Net interest rate risk exposure	73,340,286	6,502,565	90,985,565	(45,818,835)	4,425,383	(47,451,650)	81,983,314

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	As at 31 December 2014						Total
	Less than 1 month	More than but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Financial assets							
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	1,216,025	1,211,071	1,512,208	57,117	—	5,279,727	9,276,148
Financial assets held under							
resale agreements	5,776,242	858,369	11,675,295	2,400,120	—	—	20,710,026
Refundable deposits	2,103,833	—	—	—	—	2,379,012	4,482,845
Accounts receivable	—	—	—	—	—	362,653	362,653
Other receivables and prepayments	—	—	—	—	—	152,105	152,105
Margin accounts receivable	544,822	4,173,508	59,918,409	—	—	—	64,636,739
Financial assets at fair value through							
profit or loss	11,967,038	1,628,813	7,234,596	16,355,729	8,325,945	10,487,837	55,999,958
Derivative financial assets	17,245	84	—	—	—	3,486	20,815
Clearing settlement funds	544,255	—	—	—	—	—	544,255
Cash held on behalf of brokerage							
clients	70,836,310	250,000	450,000	—	—	—	71,536,310
Cash and bank balances	28,258,055	2,164,224	5,578,806	—	—	542	36,001,627
Total	121,263,825	10,286,069	86,369,314	18,817,966	8,325,945	18,665,362	263,728,481

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Financial liabilities	As at 31 December 2014						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Short-term debt instruments issued	(4,482,000)	(5,737,290)	(14,567,780)	—	—	—	(24,787,070)
Placements from other financial institutions	—	(1,250,000)	(250,000)	—	—	—	(1,500,000)
Accounts payable to brokerage clients	(70,228,405)	—	—	—	—	—	(70,228,405)
Other payables and accruals	—	—	—	—	—	(56,339,395)	(56,339,395)
Financial assets sold under repurchase agreements	(9,642,128)	(5,667,800)	(29,358,300)	(5,000,000)	—	—	(49,668,228)
Derivative financial liabilities	(49,066)	(94)	—	—	—	(681,583)	(730,743)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(9,245)	(9,245)
Long-term bonds	—	—	—	(15,357,126)	(5,988,198)	—	(21,345,324)
Long-term bank loans	—	—	—	(138,658)	—	—	(138,658)
Total	(84,401,599)	(12,655,184)	(44,176,080)	(20,495,784)	(5,988,198)	(57,030,223)	(224,747,068)
Net interest rate risk exposure	36,862,226	(2,369,115)	42,193,234	(1,677,818)	2,337,747	(38,364,861)	38,981,413

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	As at 31 December	
	2015	2014
Move in yield curve		
Up 100 basis points	(741,509)	(533,147)
Down 100 basis points	812,227	585,128

	Sensitivity of equity	
	As at 31 December	
	2015	2014
Move in yield curve		
Up 100 basis points	(744,112)	(538,141)
Down 100 basis points	814,934	590,402

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

Currency	Sensitivity of net profit As at 31 December	
	2015	2014
USD	95,975	(9,926)
HKD	(70,651)	(2,741)

Currency	Sensitivity of equity As at 31 December	
	2015	2014
USD	38,500	(9,926)
HKD	(70,651)	(2,741)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Price risk

The group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	As at 31 December	
	2015	2014
Increase by 10%	5,565,907	1,602,030
Decrease by 10%	(5,565,907)	(1,602,030)

	Sensitivity of equity	
	As at 31 December	
	2015	2014
Increase by 10%	8,369,220	2,065,080
Decrease by 10%	(8,369,220)	(2,065,080)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2015 and 2014.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and
- (vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management (continued)

As at 31 December 2015 and 31 December 2014, the Company maintained the above ratios as follows:

	As at 31 December	
	2015	2014
Net Capital	52,362,034	19,727,809
Ratio 1	880.74%	463.56%
Ratio 2	70.34%	53.20%
Ratio 3	39.67%	19.67%
Ratio 4	56.41%	36.98%
Ratio 5	79.45%	69.18%
Ratio 6	72.99%	81.46%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2015 and 31 December 2014.

(e) Transfer of financial assets

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, margin accounts receivable and financial assets held under resale agreements. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(e) Transfer of financial assets (continued)

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as fair value through profit or loss and available-for-sale financial assets. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The Group sells margin accounts receivable to the securitisation vehicle, which in turn issue asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors.

The cash flows that the securitisation vehicle collect from the transferred assets has not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statements of financial position. The consideration received from the investors is recognised as a financial liability.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(e) Transfer of financial assets (continued)

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2015

	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Margin accounts receivable		Financial assets held under resale agreements	Total
	Sales and repurchase agreements	Securities lending		Margin loans receivable-backed repurchase	Asset-backed securities		
Carrying amount of transferred assets	507,720	65,609	2,528	20,853,545	511,834	1,426,200	23,367,436
Carrying amount of associated liabilities	(511,059)	—	—	(17,700,000)	(475,000)	(1,000,000)	(19,686,059)
Net position	(3,339)	65,609	2,528	3,153,545	36,834	426,200	3,681,377

As at 31 December 2014

	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Margin accounts receivable		Financial assets held under resale agreements	Total
	Sales and repurchase agreements	Securities lending		Margin loans receivable-backed repurchase	Asset-backed securities		
Carrying amount of transferred assets	2,093,959	1,049,762	7,865	44,931,542	—	—	48,083,128
Carrying amount of associated liabilities	(2,643,461)	—	—	(40,116,100)	—	—	(42,759,561)
Net position	(549,502)	1,049,762	7,865	4,815,442	—	—	5,323,567

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities

The Group offsets the related financial assets and financial liabilities when the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

The Group has entered into master netting arrangements with counterparties for the derivative instruments.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the agreement of continuous net settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

As at 31 December 2015

Financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	334,750	—	334,750	—	—	334,750
Accounts receivable	78,130	(18,177)	59,953	—	—	59,953
Total	412,880	(18,177)	394,703	—	—	394,703

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Financial liabilities	Gross amounts of financial liabilities recognised	Gross amounts of financial liabilities recognised in the consolidated statement of financial position	Gross amounts of financial assets recognised in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
					Financial instruments	Cash collateral pledged	
Derivative financial liabilities	(2,552,026)	91,681	(2,460,345)	—	—	(2,460,345)	
Other payables and accruals	(3,974,488)	565,490	(3,408,998)	—	—	(3,408,998)	
Total	(6,526,514)	657,171	(5,869,343)	—	—	(5,869,343)	

As at 31 December 2014

Financial assets	Gross amounts of financial assets recognised	Gross amounts of financial liabilities recognised in the consolidated statement of financial position	Gross amounts of financial assets recognised in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
					Financial instruments	Cash collateral received	
Derivative financial assets	79,558	(58,743)	20,815	—	—	20,815	
Accounts receivable	284,627	(40,465)	244,162	—	—	244,162	
Total	364,185	(99,208)	264,977	—	—	264,977	

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

60 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Financial liabilities	Gross amounts of financial liabilities recognised	Gross amounts of financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Derivative financial liabilities	(960,988)	230,245	(730,743)	—	—	(730,743)
Other payables and accruals	(1,872,016)	129,534	(1,742,482)	—	—	(1,742,482)
Total	(2,833,004)	359,779	(2,473,225)	—	—	(2,473,225)

Except for the enforceable master netting arrangements and the offset-right of the financial instruments under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreements and financial assets sold under repurchase agreements are disclosed in the corresponding notes, which are generally not on the net basis in the consolidated statement of financial position.

However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 31 December 2015 and 31 December 2014, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments, net exposure is insignificant after setting off the collaterals.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial instruments at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of held-to-maturity investments, short-term debt instruments issued and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.
- (iv) Account receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at 31 December	
	2015	2014
<i>Financial assets</i>		
– Held-to-maturity investments	5,000	5,000
Total	5,000	5,000
<i>Financial liabilities</i>		
– Short-term debt instruments issued	(1,053,004)	(24,787,070)
– Long-term bonds	(72,372,178)	(21,345,324)
Total	(73,425,182)	(46,132,394)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(b) Fair value of other financial instruments (carried at other than fair value) (continued)

Fair value

	2015			Total
	Level I	Level II	Level III	
<i>Financial assets</i>				
— Held-to-maturity investments	—	5,132	—	5,132
Total	—	5,132	—	5,132
<i>Financial liabilities</i>				
— Short-term debt instruments issued	—	—	(1,053,004)	(1,053,004)
— Long-term bonds	(62,807,111)	—	(9,600,000)	(72,407,111)
Total	(62,807,111)	—	(10,653,004)	(73,460,115)

	2014			Total
	Level I	Level II	Level III	
<i>Financial assets</i>				
— Held-to-maturity investments	—	4,985	—	4,985
Total	—	4,985	—	4,985
<i>Financial liabilities</i>				
— Short-term debt instruments issued	(13,966,777)	(8,491,147)	(2,287,070)	(24,744,994)
— Long-term bonds	(21,254,786)	—	—	(21,254,786)
Total	(35,221,563)	(8,491,147)	(2,287,070)	(45,999,780)

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost and available-for-sale financial assets at cost less impairment in the Group's statements of financial position approximate their fair values.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2015			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	17,869,565	37,825,466	250,911	55,945,942
— Equity securities	9,661,017	623,917	—	10,284,934
— Funds	49,917,227	—	—	49,917,227
— Wealth management products	1,005,523	11,690,822	1,193,660	13,890,005
Financial assets designated at fair value through profit or loss:				
— Equity securities	—	1,200,000	—	1,200,000
Available-for-sale financial assets				
— Debt securities	199,531	108,259	134,787	442,577
— Equity securities	10,528,536	1,721,308	9,163,936	21,413,780
— Funds	253,631	3,810	—	257,441
— Wealth management products	459,830	15,339,304	—	15,799,134
Derivative financial assets	7,626	170,539	156,585	334,750
Total	89,902,486	68,683,425	10,899,879	169,485,790
Liabilities				
Financial liabilities at fair value through profit or loss	(113)	(14,417,705)	—	(14,417,818)
Financial liabilities designated at fair value through profit or loss:				
Derivative financial liabilities	(39,534)	(2,420,516)	(295)	(2,460,345)
Total	(39,647)	(23,848,695)	(295)	(23,888,637)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

	2014			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	13,417,327	20,883,150	186,371	34,486,848
— Equity securities	8,161,578	198,642	—	8,360,220
— Funds	12,186,905	—	—	12,186,905
— Wealth management products	121,520	844,465	—	965,985
Available-for-sale financial assets				
— Debt securities	242,031	—	149,310	391,341
— Equity securities	579,929	27,748	4,485,676	5,093,353
— Funds	339,670	2,760	—	342,430
— Wealth management products	275,553	1,882,168	1,159,009	3,316,730
Derivative financial assets	—	20,815	—	20,815
Total	35,324,513	23,859,748	5,980,366	65,164,627
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	(9,245)	—	—	(9,245)
Derivative financial liabilities	—	(730,743)	—	(730,743)
Total	(9,245)	(730,743)	—	(739,988)

For the year ended 31 December 2015 and 31 December 2014, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as trading securities or available for sale.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2015 and 31 December 2014, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iii) Valuation methods for specific investments (continued)

- (3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.
- (5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities	Total
As at 1 January 2015	186,371	5,793,995	—	—	5,980,366
Gains or losses for the year	51,650	167,308	156,585	154	375,697
Changes in fair value recognised in other comprehensive income	—	1,172,639	—	—	1,172,639
Purchases	1,305,835	3,697,061	—	—	5,002,896
Sales and settlements	(99,285)	(1,532,280)	—	(449)	(1,632,014)
As at 31 December 2015	1,444,571	9,298,723	156,585	(295)	10,899,584
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	14,641	—	156,585	(295)	170,931

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities	Total
As at 1 January 2014	—	2,923,297	—	—	2,923,297
Gains or losses for the year	49,816	12,648	—	—	62,464
Changes in fair value recognised in other comprehensive income	—	1,765,890	—	—	1,765,890
Purchases	138,052	1,253,808	—	—	1,391,860
Sales and settlements	(1,497)	(161,648)	—	—	(163,145)
As at 31 December 2014	186,371	5,793,995	—	—	5,980,366
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	49,816	5,243	—	—	55,059

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

61 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

Financial assets and liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
		Option pricing model	Stock price volatility	The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter options	Level III	Black-Scholes option pricing model	Price of underlying assets	N/A
			Price volatility of underlying assets	N/A

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

62 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2015	2014
Non-current assets			
Property and equipment		3,320,289	3,244,687
Investment properties		1,218,239	587,924
Other intangible assets		415,088	392,437
Investments in subsidiaries		6,948,527	4,047,567
Interest in associates		1,935,635	1,602,713
Held-to-maturity investments		5,000	5,000
Available-for-sale financial assets		19,787,721	4,846,795
Financial assets held under resale agreements		1,442,189	482,600
Financial assets at fair value through profit or loss		1,200,000	—
Refundable deposits		1,141,826	1,267,519
Other non-current assets		68,601	98,798
Total non-current assets		37,483,115	16,576,040
Current assets			
Accounts receivable		255,171	132,232
Other receivables and prepayments		2,271,237	1,180,132
Margin accounts receivable		67,352,032	64,497,968
Available-for-sale financial assets		11,050,627	3,278,954
Financial assets held under resale agreements		15,178,485	7,587,724
Financial assets at fair value through profit or loss		60,172,285	26,883,329
Derivative financial assets		169,412	17,329
Clearing settlement funds		4,025,977	974,429
Cash held on behalf of brokerage clients		119,081,623	66,934,461
Cash and bank balances		6,510,332	12,380,006
Total current assets		286,067,181	183,866,564
Total assets		323,550,296	200,442,604

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

62 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 December	
		2015	2014
Current liabilities			
Short-term debt instruments issued		1,053,004	24,787,070
Placements from other financial institutions		3,000,000	1,500,000
Accounts payable to brokerage clients		113,691,456	63,032,501
Employee benefits payable		1,880,696	1,254,868
Other payables and accruals		12,190,512	6,371,409
Current tax liabilities		1,879,831	264,033
Financial assets sold under repurchase agreements		14,882,049	39,478,761
Financial liabilities at fair value through profit or loss		14,417,705	—
Derivative financial liabilities		2,447,068	729,314
Long-term banks loans due within one year		125,000	—
Long-term bonds due within one year		2,998,178	—
Total current liabilities		168,565,499	137,417,956
Net current assets		117,501,682	46,448,608
Total assets less current liabilities		154,984,797	63,024,648
Non-current liabilities			
Long-term bonds		66,177,256	18,974,610
Long-term bank loans		359,985	138,658
Non-current employee benefits payable		3,008,577	405,375
Deferred tax liabilities		193,662	598,220
Financial assets sold under repurchase agreements		10,800,000	5,000,000
Other non-current liabilities		—	822,000
Total non-current liabilities		80,539,480	25,938,863
Net assets		74,445,317	37,085,785

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

62 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 December	
		2015	2014
Equity			
Share capital	54(a)	7,162,769	5,600,000
Reserves		56,353,199	24,158,091
Retained profits		10,929,349	7,327,694
Total equity		74,445,317	37,085,785

Approved and authorised for issue by the board of directors on 29 March 2016.

Zhou Yi

Chairman of the Board (acting),

Director and President

Chen Chuanming

Director

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

63 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of the financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012-2014 cycle — various standards	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments	1 January 2018
IFRS 16, Leases	1 January 2019

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

63 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

IFRS 9, Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the recognition in other comprehensive income of 'own credit risk' related gains and losses that are part of the fair value changes of financial liabilities designated as measured at fair value through profit or loss; this version of IFRS 9 also carried forward the derecognition requirements of IAS 39. In November 2013 the new requirements for general hedge accounting were added to IFRS 9. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The implementation date of IFRS 9 is 1 January 2018.

Key requirements of IFRS 9 that are relevant to the Group are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

63 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

IFRS 9, Financial instruments (continued)

The Group is in the process of assessing the potential impact on the financial statements resulting from the adoption of IFRS 9. So far it has concluded that the adoption of IFRS 9 may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting IFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 16, Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

64 EVENTS AFTER THE REPORTING DATE

(a) Material investment activity

On 19 February 2016, Yili Suxin Investment Fund (Limited Partnership) was set up by Huatai Zijin Investment Co., Ltd. and its subsidiaries. Huatai Zijin Investment Co., Ltd. subscribed for a capital contribution of RMB469,000 thousand as a limited partner. On 11 March 2016, Huatai Zijin Investment Co., Ltd. made a paid-in contribution of RMB140,700 thousand to Yili Suxin Investment Fund (Limited Partnership).

(b) Profit distribution plan after accounting periods

On 29 March 2016, based on the total ordinary shares of 7,162,768,800 of the Company, the Board proposed the cash dividends of RMB5.00 (tax inclusive) per 10 ordinary shares distributed to all the shareholders, with total cash dividend amounting to RMB3,581,384 thousand (2014: RMB2,800,000 thousand).

The proposal is pending for the approval of the general meeting of the shareholders. The cash dividend are not recognized as a liability as at 31 December 2015.

Index of Documents for Inspection

Index of Documents for Inspection	Financial statements of the Company signed and sealed by the legal representative, the person responsible for accounting matters and the chief accountant
Index of Documents for Inspection	Original copy of the audit report sealed by the accounting firm and signed and sealed by the Certificated Public Accountant
Index of Documents for Inspection	Original copies of all documents and announcements of the Company as disclosed in the newspapers designated by the CSRC during the Reporting Period
Index of Documents for Inspection	Articles of Association

Disclosures

I. Major Administrative Approvals of the Company

1. The Notice on Huatai Securities Co., Ltd. Becoming a Stock Option Trading Participant on Shanghai Stock Exchange (Shang Zheng Han [2015] No. 73) (《關於華泰證券股份有限公司成為上海證券交易所股票期權交易參與人的通知》(上證函[2015]73號)) dated January 16, 2015;
2. The Approval on Zhou Yong's Qualification to Work as a Director in Securities Companies (Su Zheng Jian Ji Gou Zi [2015] No. 25) (《關於周勇證券公司董事任職資格的批覆》(蘇證監機構字[2015]25號)) dated January 19, 2015;
3. The Approval on Huatai Securities Co., Ltd.'s Qualification to Conduct Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No. 162) (《關於核准華泰證券股份有限公司股票期權做市業務資格的批覆》(證監許可[2015]162號)) dated January 28, 2015;
4. The Notice on Commencement of Shanghai Stock Exchange 50 ETF Option Market Making Business by Huatai Securities Co., Ltd. (Shang Zheng Han [2015] No. 213) (《關於華泰證券股份有限公司開展上證50ETF期權做市業務的通知》(上證函[2015]213號)) dated January 30, 2015;
5. The Approval on the Issuance of Overseas Listed Foreign Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 685) (《關於核准華泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]685號)) dated April 21, 2015;
6. The Approval on Lee Chi Ming's Qualification to Work as Independent Director in Securities Companies (Su Zheng Jian Ji Gou Zi [2015] No. 112) (《關於李志明證券公司獨立董事任職資格的批覆》(蘇證監機構字[2015]112號)) dated April 28, 2015;
7. The Letter of No Objection to the Introduction of Strategic Investors into the Consolidated Fund Management Company Subordinate to Directly Invested Subsidiaries (Ji Gou Bu Han [2015] No. 1383) (《關於對直投子公司下屬併購基金管理公司引入戰略投資者無異議的函》(機構部函[2015]1383號)) dated May 15, 2015;
8. The Letter of No Objection to the Innovative Proposal of Huatai Securities on One-way Video Account Opening (Zhong Guo Jie Suan Ban Zi [2015] No. 460) (《關於華泰證券單向視頻開戶創新方案的無異議函》(中國結算辦字[2015]460號)) dated June 1, 2015;

Disclosures

9. The Approval on the Public Issuance of Corporate Bonds to Qualified Investors by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1326) (《關於核准華泰證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2015]1326號)) dated June 19, 2015;
10. The Circulation on the Results of Evaluation on the Information Disclosure Work of Listed Companies for 2014 (Shang Zheng Gong Han [2015] No. 1359) (《關於2014年度上市公司信息披露工作評價結果的通報》(上證公函[2015]1359號)) dated August 12, 2015;
11. The Notice of PBOC on the Issuance of Short-term Financing Bills by Huatai Securities Co., Ltd. (Yin Fa [2015] No. 269) (《中國人民銀行關於華泰證券股份有限公司發行短期融資券的通知》(銀發[2015]269號)) dated August 27, 2015;
12. The Approval on Xu Min's Qualification to Work as a Director in Securities Companies (Su Zheng Jian Ji Gou Zi [2015] No. 235) (《關於徐敏證券公司董事任職資格的批覆》(蘇證監機構字[2015]235號)) dated September 23, 2015;
13. The Approval on Liu Zhihong's Qualification to Work as a Supervisor in Securities Companies (Su Zheng Jian Ji Gou Zi [2015] No. 238) (《關於劉志紅證券公司監事任職資格的批覆》(蘇證監機構字[2015]238號)) dated September 28, 2015;
14. The Approval on Chen Zhibin's Qualification to Work as an Independent Director in Securities Companies (Su Zheng Jian Ji Gou Zi [2015] No. 242) (《關於陳志斌證券公司獨立董事任職資格的批覆》(證監機構字[2015]242號)) dated September 30, 2015;
15. The Approval on the Cancellation of the Securities Branch at Shangqing Temple Road, Chongqing by Huatai Securities Co., Ltd. (Yu Zheng Jian Xu ke [2015] No. 6) (《關於核准華泰證券股份有限公司撤銷重慶上清寺路證券營業部的批覆》(渝證監許可[2015]6號)) dated October 26, 2015;
16. The Approval for the Cancellation of the Securities Branch at Chang'an Street, Mudanjiang by Huatai Securities Co., Ltd. (Hei Zheng Jian Xu ke Zi [2015] No. 5) (《關於核准華泰證券股份有限公司撤銷牡丹江長安街證券營業部的批覆》(黑證監許可字[2015]5號)) dated October 30, 2015.

Disclosures

II. Result of Classification by Regulatory Authority

From 2013 to 2015, the Company was rated Class AA under Category A according to the classification of securities companies.

